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# ***Daily Report***

## **China**

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# Daily Report

## China

FBIS-CHI-95-032

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## General

### Foreign Ministry Holds Weekly News Conference

#### Reaffirms Deng in 'Good Health'

HK1602092495 Hong Kong AFP in English 0907 GMT  
16 Feb 95

[FBIS Transcribed Text] Beijing, Feb 16 (AFP)—The Chinese government reaffirmed Thursday that paramount leader Deng Xiaoping was in good health despite a recent report saying his health was unstable because of circulatory problems.

"Deng Xiaoping is in good health," said Foreign Ministry spokesman Chen Jian during a weekly news conference. He refused to provide additional details.

Prominent Chinese physician Wu Jieping was quoted by the German magazine *Der Spiegel* in a February 8 interview as being one of Deng's doctors. He said the 90-year-old Deng suffered from Parkinson's disease and was vulnerable to "rapid change" because of blood circulation problems.

Wu, vice president of China's parliament, has denied the remarks, claiming the magazine invented them. *Der Spiegel's* Beijing correspondent, Juergen Kremb, maintains that Wu spoke at length about Deng's health and that he had a copy of the interview transcribed by Wu's secretary.

#### Views IPR Talks With U.S.

OW1602100995 Beijing XINHUA in English 0959  
GMT 16 Feb 95

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—China expressed the hope here today that the on-going Sino-U.S. talks on the intellectual property rights (IPR) will be successful.

The Sino-U.S. talks today entered its second day in Beijing today.

Chinese Foreign Ministry Spokesman Chen Jian said at a press conference that the protection of intellectual property rights is called for by China's economic, scientific and technological development and also by its reform and opening up to the outside world.

Therefore, "there is no fundamental difference between China and the United States on IPR protection," he said.

The reason for the differences between the two countries on this matter is that the U.S. side has raised undue demands on China's level of IPR protection as a developing country, he noted.

Some of the demands can't be accepted even by developed countries, Chen said, adding that some demands can not even be fulfilled by the United States itself.

If the U.S. side adopts a realistic and pragmatic attitude and the talks are based on mutual respect, mutual accommodation, mutual benefit and equality, and on the principle of seeking truth from facts, "the talks should be a success," Chen said.

The spokesman also revealed that U.S. Secretary of Energy Hazel O'Leary will visit China from February 19 to 24 at the head of a big delegation. The two sides will have broad consultations and discussions over cooperation on economic, technical and other issues, he said.

#### Urges Overcoming Differences

HK1602095495 Hong Kong AFP in English 0929 GMT  
16 Feb 95

[By Tiffany Bown]

[FBIS Transcribed Text] Beijing, Feb 16 (AFP)—Chinese and U.S. officials were locked in 11th-hour talks Thursday aimed at heading off a trade war over copyrights as Beijing warned that it could not fulfill all of Washington's demands.

Foreign Ministry spokesman Chen Jian said China would adopt a "serious and pragmatic attitude" in the negotiations, which entered the second day Thursday, and do its best to avoid a trade war that would be damaging to both sides.

But "some of the demands of the U.S. side ... cannot be fulfilled by the Chinese side," Chen added at a weekly news briefing, pleading his nation's status as a developing country.

"Some could not be agreed to even by developed countries and some of these demands cannot even be fulfilled by the United States," he said, urging U.S. negotiators to approach the talks with "a pragmatic, realistic and constructive attitude."

The U.S. embassy here described the first day of talks Wednesday as "frank and amicable," but added that there were still a number of issues to resolve.

The two sides are seeking to settle a dispute over protection of copyrights in China ahead of a February 26 deadline for the implementation of tit-for-tat trade sanctions.

Washington, which estimates that U.S. companies lose more than one billion dollars each year to piracy in China, is demanding that Beijing improve enforcement of its copyright laws and, in particular, close down 29 factories churning out fake compact discs in the south of the country.

Deputy Assistant U.S. Trade Representative Lee Sands, Washington's chief negotiator, said at the start of this week's talks that "clear action" was needed from China if it was to avoid 100 percent hikes in import tariffs on goods worth 1.08 billion dollars.

Chinese officials insist that serious efforts are already being made to tackle the problem, while saying that U.S. demands go beyond the scope of copyright protection.

Premier Li Peng said Monday that China would not capitulate on "principles it judges to be essential."

Nevertheless, diplomats here have expressed cautious optimism that negotiators will succeed in reaching a compromise agreement in order to avoid a damaging trade war.

"The two sides should make efforts to overcome the differences and difficulties between the two countries over some issues so that Sino-U.S. relations can be brought on to the track of healthy and steady development," Chen said.

He reiterated the Chinese stance that "to threaten to use sanctions for retaliation will do no good for the settling of the issue."

Washington announced its list of sanctions on February 4 after the breakdown of previous talks between the two sides. China quickly responded by issuing its own retaliatory list.

#### **Embassies To Protect Taiwan Compatriots**

*OW1602092095 Beijing XINHUA in English 0906 GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—A spokesman for the Chinese Foreign Ministry said here today that it is an important obligation of the Chinese embassies and consulates to protect the legitimate rights and interests of all the Taiwan compatriots abroad.

"The Chinese embassies and consulates are duty-bound to provide, to the best of their abilities, assistance and protection to the Taiwan compatriots when their life, property and legitimate rights and interests are threatened or harmed," spokesman Chen Jian told a weekly press conference.

In his recent speech on the question of Taiwan, General Secretary Jiang Zemin of the Chinese Communist Party called on the relevant departments of the government including the agencies stationed abroad to protect the legitimate rights and interests of compatriots from Taiwan.

Chen was asked what concrete measures the Foreign Ministry will take in line with Jiang's call.

Proceeding from the supreme interests of the Chinese nation, General Secretary Jiang Zemin put forward in his important speech a series of practical policies and proposals on promoting the great cause of peaceful reunification of China, which is welcomed by all the people who stand for and support China's great cause of peaceful reunification, Chen said.

"The speech is bound to exert far-reaching influence on the endeavor to enhance the relations across the Taiwan Straits and accelerate the process of peaceful reunification of China," Chen noted.

"In his speech, General Secretary Jiang Zemin called on, in explicit terms, the relevant departments of government including the agencies stationed abroad to protect the legitimate rights and interests of compatriots from Taiwan," the spokesman said.

Chen said that the embassies and consulates "have over the years done a great deal of useful work through diplomatic and other channels in safeguarding the legitimate rights and interests of the Taiwan compatriots."

"The Taiwan compatriots will place an even greater hope on their motherland with the elevation of China's international status and the development of the relations across the Taiwan Straits.

"The Ministry of Foreign Affairs has already instructed the Chinese agencies abroad to earnestly implement the principles embodied in General Secretary Jiang Zemin's speech and make greater efforts to protect the legitimate interests and rights and serve the needs of the Taiwan compatriots by further strengthening their ties with those compatriots, listening to their views and proposals, being concerned with and taking into account their interests and making every effort to help them solve their problems in the interests of Taiwan compatriots," he said.

#### **More on Protecting Compatriots**

*OW1602131995 Beijing XINHUA Domestic Service in Chinese 1125 GMT 16 Feb 95*

[FBIS Translated Text] Beijing, 16 Feb (XINHUA)—At a 16 February news conference, Foreign Ministry Spokesman Chen Jian indicated that Jiang Zemin's, CPC Central Committee General Secretary, important speech on the Taiwan issue certainly will have far-reaching impacts on promoting the development of mainland-Taiwan relations and on expediting the motherland's peaceful reunification process, and the Foreign Ministry had instructed Chinese agencies abroad to earnestly follow through with the guidelines in the speech and do an even better job in safeguarding Taiwan countrymen's legitimate rights and interests and in serving them in various areas.

A reporter asked: In his speech on the Taiwan issue, Jiang Zemin has set specific requirements for all government departments, including agencies abroad, in connection with safeguarding Taiwan countrymen's legitimate rights and interests. What specific measures will the Foreign Ministry take?

Chen Jian answered: In his important speech on the Taiwan issue, Jiang Zemin, from the level of safeguarding the Chinese nation's utmost interests, put forward a set of practical policy proposals for expediting the motherland's peaceful reunification cause, and all people



who endorse and support China's peaceful reunification cause welcome these proposals. They certainly will have far-reaching impacts on promoting the development of mainland-Taiwan relations and expediting the motherland's peaceful reunification cause.

Chen Jian continued: In his speech, Jiang Zemin set specific requirements for all government departments, including agencies abroad, in connection with safeguarding Taiwan countrymen's legitimate rights and interests. Protecting the legitimate rights and interests of the vast number of Taiwan countrymen residing overseas is an important responsibility of all Chinese embassies and consulates abroad. When the lives, property, and legitimate rights of the vast number of Taiwan countrymen are threatened or violated, Chinese embassies and consulates abroad are duty-bound to provide assistance and protection to the best of their ability. Through diplomatic and other channels, Chinese embassies and consulates abroad have already done a great deal of useful work in safeguarding the legitimate rights and interests of the vast number of Taiwan countrymen. Following the elevation of China's international status and the development of mainland-Taiwan relations, the vast number of Taiwan countrymen will have even greater expectations of their motherland.

Chen Jian said: The Foreign Ministry has instructed Chinese agencies abroad to earnestly follow through with the guidelines in Jiang Zemin's speech, continue to strengthen their ties with Taiwan countrymen, listen to their views and proposals, care for and attend to their interests, do their best in helping them solve their problems, and do an even better job in safeguarding Taiwan countrymen's legitimate rights and interests and in serving them in various areas.

#### Reiterates Position on Spratlys

HK1602110395 Hong Kong AFP in English 1049 GMT  
16 Feb 95

[FBIS Transcribed Text] Beijing, Feb 16 (AFP)—China said Thursday it wanted a peaceful resolution to conflicting claims over the Spratly island chain in the South China sea, where Manila has protested the presence of Chinese troops on a Philippine-claimed reef.

"The Chinese government has always proposed that disputes over Nansha island should be settled through consultations," foreign ministry spokesman Chen Jian said, using the Chinese name for the Spratly chain.

"We should shelve the dispute and conduct common development," he said, adding that "we believe this is the effective approach to settle the issue."

Manila has accused Beijing of constructing a naval base on Mischief Atoll, about 135 nautical miles from the Philippine island of Palawan.

Chen said last week that the island was being used as a shelter by Chinese fishermen.

On Wednesday, President Fidel Ramos said the government would send "a strong diplomatic protest" to China as he ordered the beefing up of Philippine forces in the Spratlys.

Chen did not refer to the protest in his briefing.

The Spratlys, believed to be rich in oil and other resources, are claimed wholly or partially by Brunei, Malaysia, Vietnam and Taiwan as well as China and the Philippines.

#### Sri Lankan Foreign Minister To Visit

OW1602084695 Beijing XINHUA in English 0835  
GMT 16 Feb 95

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—Sri Lankan Foreign Minister Lakshman Kadirgamar will pay an official good-will visit to China from February 24 to 28 at the invitation of Chinese Vice-Premier and Foreign Minister Qian Qichen.

This was announced by Chen Jian, spokesman for the Chinese Foreign Ministry, here today.

#### Group To Attend Uruguayan Ceremony

OW1602084395 Beijing XINHUA in English 0822  
GMT 16 Feb 95

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—A delegation of the Chinese government will attend the ceremony of the transfer of the Uruguayan presidential power to held in Montevideo on March 1 at the invitation of the Government of the Oriental Republic of Uruguay.

The delegation will be headed by Minister of Agriculture Liu Jiang.

This was announced by Chen Jian, spokesman for the Chinese Foreign Ministry, at a weekly press conference here today.

#### Daily Views U.S.-Russian Relations, Arms Deals

HK1602064495 Beijing RENMIN RIBAO in Chinese  
14 Feb 95 p 6

["International Jottings" by Liu Gang (0491 0474): "Finding Out the Real Situation and Taking Precautions"]

[FBIS Translated Text] According to reports, recently the United States secretly purchased SA-10 missiles from the former Soviet Union, its Cold War rival. These missiles are theater (zhan qu 2069 0575) antimissile weapons that reportedly were used in real battles 10 years ago. These weapons have a better reputation than the same missiles produced by the United States.

According to reports, the United States will invest \$15 billion in a weapon development project and plans to develop a new antimissile system more advanced than

Russia's in seven years. On the one hand, while developing its own missile system, the United States has found it necessary to purchase similar weapons made by Russia for its own purposes. As a result, the United States has become an active buyer of Russian-made weapons from the former Soviet Union. On the other hand, the countries of the former Soviet Union are vying with each other to sell sophisticated weapons in exchange for cash to deal with their domestic economic difficulties. This has made the region the biggest arms market in the world.

Western analysts surmise that the U.S. purchase of its old rival's weapons is not only aimed at using such weapons, but also serves other purposes. The United States is trying to determine whether Russia's radars can detect its latest "invisible" F-117 Fighter and B-2 Bomber. For its part, Russia is certainly unwilling to see the United States develop a new "spear" against its existing "shield," and is wary of such things.

Moscow's political leaders have explicitly expressed resolute opposition to selling their best weapon systems to foreign countries. It seems the new "partners," the United States and Russia, are still highly suspicious of each other.

#### Article on Eastern Europe, Central Asia

OW1602091295 Beijing BEIJING REVIEW in English  
No's 6-7, 6-19 Feb 95 pp 21-24

[Article by Pan Deli, associate professor, and Dr. Zheng Yu, associate professor and deputy head of the Section for Russian Studies, the Institute of East European and Central Asian Studies of the China Academy of Social Sciences: "Situation in Eastern Europe and Central Asia"]

[FBIS Transcribed Text] In 1994, Russia and the countries in Eastern Europe and Central Asia were in the process of tough transition: First, most of the newly independent nations in Eastern Europe who had been part of the former Soviet Union, had brought an end to the shift from the unification of administrative divisions to independent nations, establishing and consolidating independent state power. Some Central Asian nations, however, still have much to do in organizing their own armed forces and social structure.

Second, the tripartite political system, each independent of the other two, which is highlighted by the strengthening of administrative power, has been established and is operational. Presidential and parliamentary elections were held in 1994 in Hungary, Slovakia, Ukraine, Belarus and Tajikistan, ensuring a smooth transfer of the top leadership. Changes of governments or changes of personnel were undertaken in accordance with constitutional procedures, causing no social upheavals.

Third, except for a few nations such as Poland, Hungary, Czech and Slovenia and the three Baltic nations, other nations in this region experienced a tortuous transition

to a market economy amidst economic recession and a serious economic crisis. Despite these factors there has not yet been any social disruption or turbulence.

But, the regions are still melting-pots for political and social contradictions and confrontations which, new or old, are complicated and intertwined.

Russia's internal political situation appeared quite tranquil in 1994:

1. Relations between the president, government, parliament and judicial department remained normal, marking a sharp contrast with 1993 which had experienced severe political struggle. Each group expressed its intention of maintaining cooperation, consultation and compromise. The relationship between the president and Duma did not break down when the latter passed a general pardon for those involved in rebel activities in late 1993, and when the president issued his instructions and regulations for the second phase of privatization. A series of new appointments and various removals from office made by the president since November have seen no extreme reactions from either the parliament or the government.

2. The various political factions have maintained their power balance, either in parliament or in society generally, and the majority of important political parties have signed an accord treaty. As they have dedicated themselves to the forthcoming presidential and parliamentary elections, with a high priority given to shaping their own images this year, there was no severe political struggle among themselves and their criticisms of those in power were limited to economic policies.

3. Ambitions for regionalism and national splits were curbed, except that Chechnya continued to seek independence resulting in the break-out of war. The masses began to call for more social stability, a mood which spread widely cooling down political struggles. Nevertheless, it is fair to say that there remains a variety of unstable factors that may cause new conflicts and even severe struggles below the surface of what appears to be a tranquil situation. The attitudes of political factions toward the development of their nations and other issues are diametrically opposed to each other, sometimes leaving no room for compromise. Viewed from this point, we can see that political struggle will not be averted. What makes matters worse is that the dire economic situation has not improved over a long time. Consequently, the possibility of high unemployment and deteriorating public order could directly affect social stability.

In 1994, Russia's economy was still in deep trouble; a crisis over non-payment for goods and loss of sales led to a drop in production. A large number of enterprises ceased production altogether or were only at half production. Comprehensive enterprises in the military industry were in dire straits because the state was in arrears with its due payments while the output of grain in

that year fell by a big margin with livestock breeding also continuing to decline. The continuously deteriorating investment environment meant that domestic banking and production departments lost interest in long-term investments and foreign investors adopted a wait-and-see attitude.

However, some positive economic factors did emerge in 1994. For instance, the second phase of the plan for privatization began followed by changes in the price mechanism and ownership and the establishment of certain market mechanisms. Inflation fell to a considerably low level and there was a favorable balance of foreign trade with personal income rising. For the first time, the gross national product (GNP) maintained its upward momentum in October, an increase of 4 percent over the same period of the previous year.

Based on a re-think of its foreign policy over the past few years, Russia has started to draw up a revised foreign strategy approach when dealing with worldwide hot-spot issues, NATO's eastward advance and its relations with American influenced nations. Russia now tends to be intransigent over a number of issues compelling the West to ask for its approval and cooperation when handling international affairs, a reversal of earlier policy. The relations between Russia and the U.S. have declined to their lowest point since Russia became an independent state, mainly as a result of disputes over NATO's expansion plans, revealed at its December Conference on Security and Cooperation in Europe.

In 1994, the CIS appeared to be full of vitality and there was noticeable progress in the trend of forming alliances. In order to handle the common economic crisis, the nations in the CIS began to restore their former economic links, strengthening multilateral, bilateral economic cooperation as well as overall cooperation within the grouping. [sentence as received] A CIS military coordinating commission was set up to safeguard national security and to help resist threats from neighboring nations, and Russia's peace-keeping role within the CIS was acknowledged and accepted. In the meantime, another trend emerged whereby other nations in the CIS maintained their independence and sovereignty, actively seeking various safeguards. Between April and May 1994, one after another CIS member nations, except for Belarus, showed their support for NATO's "plan for peace partnership." Ukraine even took measures toward seeking safeguards and economic aid from Western powers and deliberately making the Crimea and Black Sea international issues. Other CIS nations endeavored to develop economic ties with neighboring nations and regions when resuming economic ties with Russia.

In 1994, other CIS nations were still undergoing a period of tough transition. While striving to maintain political stability, the struggles of the top leadership tended to be acute, certainly between the presidents, parliaments and governments, more so than in the previous year. Stanislav Shushkevich, chairman of the Supreme Soviet of

Belarus, was driven out of office following a vote of no confidence by the parliament; Leonid Kravchuk of the Ukraine was defeated in the presidential election and the struggle between the president of Kazakhstan and the parliament was at times quite violent. In the economic arena these nations were still in severe crisis with tough economic reforms imposed and the major economic index declining considerably. In foreign relations, they emphasized the development of relations with Russia, with Kazakhstan more active in the integration of the CIS, and proposing the establishment of a federation of Europe and Asia.

The three Baltic nations had suffered three years of economic recession. However, the economic transition centered around privatization began to reap its first fruits and the framework of a market economy was initially established. A new market economic mechanism began to play a role and it was predicted that the economies of the three nations would overcome their difficulties and even increase, albeit at a low level, in 1994. While the economic situation took a turn for the better, the political situation in the three nations remained stable; new political systems had taken shape and began to play a role and the frequent changes of governments have not brought about social turbulence.

In 1994, Eastern European nations generally enjoyed a continuous and stable political environment and economies. In political terms, the trend for turning to the left, following the resumption of power by left-wing forces in Poland in 1993, was further strengthened when the Socialist Party of Hungary defeated the Democratic Forum Union to take power. Economically, regional differences had not been narrowed. Poland's GDP (gross domestic product) was expected to increase by 4.5 percent in 1994, based on an increase of 4 percent in 1993. Czech realized zero growth in 1993 but its GDP was predicted to increase by 2-3 percent in 1994. Over foreign policy, Eastern European nations made advances in their relations with Western nations. In May, the West Europe Union welcomed the establishment of important links with Eastern European nations, a major step toward Eastern Europe entering NATO. At the same time, Eastern European nations began to relax and resume partial relations with Russia, striving to pursue a balance in relations between the East and the West.

#### Analysis of Future Trends

After a few turbulent years, Russia and most of the Eastern European and Central Asian nations, no longer a part of the former Soviet Union, have gradually moved toward a relatively stable period. It is predicated that in the near future, especially in 1995, large-scale political conflicts and social turbulence are unlikely to occur, and the general economic situation will develop favorably.

Firstly, the transition from a former social system to another will face difficulties. The road from a centralized system which combines parliament with government to a



western-style political system, and from a highly centralized planned economy to a market economy will be long and tortuous. But this trend cannot now be reversed as the system of "democratic politics" has been at least ensured. Facts have proven that the existing social political system has not altered along with the change of political leaders of some nations and different parties, even when the leftists seized power. Political forces, including left-wing political parties with considerable influence, are leading the way to the transformation to a market economy and democracy, as they have no intention, or even the capability, of reversing this trend in the face of reality. This will limit political struggles as they strive to avoid any occurrence of social turbulence.

Secondly, domestic economic reconstruction will be a major problem that all nations in this region will have to tackle. Most of them face the urgent task of extricating themselves from a difficult economic position and vigorously promoting their national economies. With this background, political struggle will exist for a long time but the focal point has gradually shifted to exert pressure on their governments' social and economic policies, thereby leaving much room for consultation, concession and cooperation among different parties. The year of 1995 will see Russia throw itself into preparations for presidential and parliamentary elections. It is predicated that the president and the government will dedicate themselves to turning the economic tide, to raising people's living standards, and to realize more political achievements so as to avoid conflict with different parties and factions within and outside parliament. Different political forces are sure to demonstrate that they have national interests at heart, will cater to the current national dislike for political intrigue, and aim for national stability. As a result, Russia should, in 1995, be in a state of relative stability although faced with a number of unstable factors.

Thirdly, there is hope for better and improving economic conditions in a few nations such as Poland, Czech, Hungary, Slovenia and the three Baltic nations in 1995. Russia's economic decline is likely to slow down and the target of stabilizing its economy by the end of 1995 or early in 1996 will be realized. The economic situation in most CIS nations cannot be turned round for the time being and neither can the recession trend be curbed. Also worthy of note is that the Ukraine, under a constantly deteriorating economic situation, may accelerate its efforts in economic reform so as to halt the decline and seek economic aid from the West by taking the risk of aggravated inflation and increased unemployment.

Fourthly, one of Russia's key diplomatic issues is how to coordinate its relations with the United States and other Western nations while checking NATO's eastward advance. At the same time, Russia will take an active part in the expected further development of the CIS. However, it is difficult for the CIS to make substantial progress in the military sector and economic integration due to the conflicts of interests within the grouping and

attitudes to the West. In 1995, Eastern Europe nations will concentrate on taking part in the European Union and NATO. As far as their diplomatic policies are concerned, they will still set as their fundamental tasks securing diversified safeguards mainly from the West and attaining economic benefits. At the same time they will aim to partially resume, and develop, normal relations with Russia.

## United States & Canada

### Wu Yi Hopes for Good Results From New IPR Talks

HK1502142595 Hong Kong Television Broadcasts  
Limited in English 1200 GMT 15 Feb 95

[From the "News at 8:00" program]

[FBIS Transcribed Excerpt] U.S. and Chinese negotiators have resumed talks in Beijing in a last-ditch attempt to avert a trade war over intellectual property protection. Following today's session, the American delegation leader said the talks were constructive and amicable, but there was no change in China's stance. Earlier, China's foreign trade minister, Wu Yi, said she hoped the talks will be successful. More from Annabel Roberts in Beijing:

[Begin recording] [Roberts] Delegates were giving little away as they arrived for the first full day of talks. They have 10 days in which to reach agreement on moves to protect intellectual copyright, otherwise 100 percent tariffs would be imposed by the U.S. on about a billion dollars worth of Chinese imports. Both sides want to avert this trade war.

[Wu Yi, in Mandarin with English subtitles; following translated from the Mandarin] For this round of negotiations, if everybody can proceed in the spirit of equality, mutual benefit, and mutual understanding and concessions, I think—I hope—this round can produce good results. [passage omitted] [end recording]

## Northeast Asia

### Sino-Japanese Friendship Committee Meeting Opens

OW1402134995 Beijing XINHUA in English 1326  
GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (XINHUA)—The 10th session of the 21st Century Committee for China-Japan Friendship opened here today to the accompaniments sent by Chinese Premier Li Peng and Japanese Prime Minister Tomiichi Murayama.

Li said in his message that both Chinese and Japanese representatives of the committee have made remarkable contributions to increased understanding between the two countries and in promoting the healthy development of bilateral relations.

This year marks the 50th anniversary of the anti-fascist war, Li said, and governments and peoples of the world are earnestly reviewing the experiences and lessons in human history of this century to bring on a more peaceful, prosperous and stable world, and it is for this reason that the convening of the 10th session of the committee is of great importance.

"I'm looking forward to the frank cooperation and exchange of ideas between the two countries' representatives so as to bring positive results to the session," he said, noting that the Chinese government has always attached importance to friendly relations and cooperation with Japan.

"Looking to the 21st century, we would like to make a joint effort with the Japanese side in upholding the principles of the Sino-Japanese Joint Declaration and the China-Japan Friendship Treaty and pushing bilateral ties to a new stage," the Premier said.

Prime Minister Murayama said in his message that since normalization of Japanese-Chinese ties over 20 years ago, bilateral relations have made some remarkable achievements in many areas, but that the two nations need to overcome differences in their social systems and make contributions to the many international affairs.

The prime minister said that the current meeting is facing the important task of putting forward suggestions to both governments focusing on Japanese-Chinese relations in the 21st century, and he expressed the hope that representatives would exchange views in a sincere manner so as to increase mutual understanding and trust and to make the meeting a success.

Delivering the key-note address at the session, Zhang Xiangshan, chief Chinese representative of the committee, said that the historic triumph of the anti-fascist war 50 years ago was a triumph of the world's forces of peace and democracy as well as one of human progress.

Looking back at the changes, he said that it teaches us that the movement of peace and development is irresistible, that hegemony and power politics are unpopular, and that the five principles of peaceful coexistence—basic to dealing in state-to-state relations—should be regarded as an important norm for setting up an international political and economic order.

Zhang said that China's Anti-Japanese War was an inseparable part of the world's anti-Fascist war. The triumph of the (Anti-Japanese) war paved the way for the two countries to rebuild their friendly relations and was significant to Sino-Japanese relations.

Japan has achieved great economic development since the end of the war, he noted, and a basic reason is that the Japanese people have chosen a peaceful route of development and obtained the peaceful international environment.

The fact that China and Japan resolved their difficulties 23 years ago was based on Japan's profound introspection after its invasion and the sincere desire for friendship among the peoples of both countries, Zhang added.

He expressed the belief that a correct attitude toward history constitutes an important part of the political basis for Sino-Japanese relations, and will provide favorable conditions for the two nations to establish a long-standing friendship.

Zhang pointed out that no matter what changes may occur, China and Japan should stick to the Sino-Japanese Joint Declaration and the principles set forth in the China-Japan Friendship Treaty, adding that both sides should be responsible, and at the same time, make full use of favorable conditions and the great potential for economic profit on both sides.

The two nations should deepen and broaden their cooperation based on equality and mutual benefit in an effort to seek respective development and prosperity, he explained, and the two nations should educate the younger generation to adopt a correct attitude toward history.

Youths should also be encouraged to deal with problems in Sino-Japanese relations promptly and properly in order to maintain the existing friendship and ensure healthy development in relations between the two nations.

Tadao Ishikawa, the Japanese chief representative, put forward several points to be considered in developing friendly ties:

First, in the spirit of the Japan-China Joint Declaration and the Japan-China Peaceful Friendship Treaty, the two countries should remain determined as peaceful nations, and establish relations based on that;

Second, both sides should keep communication open at all levels to deepen mutual understanding, in order to avoid unnecessary misunderstanding;

Third, the wishes of forerunners should be carried out, and the two nations should nurture successors who will be able to undertake the task of developing Japan-China friendship in the 21st Century;

Fourth, technology transfer and cooperation in intellectual matters should be further promoted so as to lay a solid foundation for relations between the two nations.

At the same time, he noted, China and Japan should work toward solving world issues, and contribute more to the international community with the United Nations as its core.

The 21st Century Committee for China-Japan Friendship, founded in 1984, is a consultative organization of the Chinese and Japanese Governments which has held nine sessions, with the 10th one to continue in the port city of Qingdao, following its opening ceremony here.

**Series of Books on Anti-Japanese War Compiled**

*OW1602093095 Beijing XINHUA in English 0846  
GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—A series of books on the War of Resistance Against Japanese Aggression are being compiled in China to mark the 50th anniversary of the end of the worldwide anti-fascist war.

The "On-the-Spot Reports of the Chinese War of Resistance Against Japanese Aggression" written by 26 Chinese civilian and military writers, are aimed at giving a picture of the real events of that war, according to Zhu Yan'an, head of the Liberation Army Literature and Art Press, the publisher of the series.

The series will have 23 volumes, with 12 volumes devoted to the leadership of the Communist Party of China (CPC) in the war. Six volumes will be dedicated to the participation of people from all walks of life and the co-operation between the CPC and Kuomintang in the war. Two volumes will cover the historical progress of the war and three, the contribution of the Kuomintang to the war, Zhu said.

"The compilation has won support from the government and the People's Liberation Army, as well as war veterans and experts," he said.

The series, expected to be completed and published by August 15 this year, the 50th anniversary of the Japanese surrender, won a large number of orders at a book fair here.

**Commentary on U.S.-ROK Plan To Revive Team Spirit**

*SK1502011895 Beijing China Radio International in Korean 1100 GMT 14 Feb 95*

[Commentary: "True Intention of the ROK and the United States To Conduct Joint Military Exercise"]

[FBIS Translated Text] An ROK Foreign Ministry official recently clearly stated that the ROK and the United States essentially decided sometime ago to conduct the Team Spirit joint military exercise in the ROK from 28 March to 2 April.

The official also said that since the conclusion of the DPRK-U.S. framework agreement, the strained situation on the Korean peninsula has been relaxed each day, and in view of this, the ROK and the United States decided to reduce the scale of this joint military exercise.

He noted that the participants in the exercise from the U.S. side will be restricted to only the U.S. Forces in the ROK, and total participation will be reduced to 30,000—one-third of that of 1993—and that they will not conduct a landing exercise.

The DPRK-U.S. framework agreement is the agreement signed by the Governments of the DPRK and the United

States in October last year after holding negotiations over a long period of time. This agreement is intended to resolve the nuclear problem on the Korean peninsula.

The agreement includes the replacement of graphite moderated reactors in the DPRK with light-water reactors. But differences concerning which nation's light-water reactors they should use, remain between the two sides, and they have failed to reach an agreement on this issue.

The ROK, which is to offer major funds required for building light-water reactors in the DPRK, is demanding that the DPRK accept the ROK-type light-water reactors. However, the DPRK refuses to accept them on the pretext that the light-water reactors produced in the ROK are not safe.

ROK Foreign Minister Kong No-myong visited the United States early this month. The two sides agreed [kyonhaeui ilchirul kajyo wassumnida] on the DPRK's acceptance of the ROK-type light-water reactors; on implementation of the DPRK-U.S. framework agreement, and on the simultaneous holding of North-South dialogue.

The ROK and the United States said that only when the DPRK accepts the ROK-type light-water reactors and the DPRK shows a positive attitude on resumption of North-South dialogue, can they consider the suspension of the Team Spirit joint military exercise.

Nevertheless, the DPRK side stressed in a statement that the DPRK-U.S. framework agreement signed in October last year intends to resolve the nuclear problem on the Korean peninsula and to realize the normalization of relations between the DPRK and the United States, but is not aimed at resuming North-South dialogue.

The statement also pointed out that placing the implementation of the agreement and resumption of dialogue on an equal footing [tongdungsi hanon koson] is preposterous. The present situation is that the DPRK and the United States will hold the final stage of negotiations from late March and early April as to which type of light-water reactors should be offered.

This being the case, public opinion indicates that the true intention of the ROK and the United States in staging the joint military exercise at this time is to make the DPRK implement the DPRK-U.S. framework agreement at an early date, and more importantly, to apply pressure on the DPRK so that it accepts the ROK-type light-water reactors.

Concerning this, in its editorial, NODONG SINMUN, the organ of the Workers Party of Korea, warned against such tricks by the ROK and the United States, and emphasized that the Team Spirit joint military exercise, if staged, will create an enormous obstacle to smoothly implementing the DPRK-U.S. framework agreement.



### ROK To Supply, Build 40 Nuclear Reactors

HK1502082895 Hong Kong WEN WEI PO in Chinese  
14 Feb 95 p A1

[Report: "China To Build 40 ROK Nuclear Reactors"]

[FBIS Translated Text] Seoul, 13 Feb (WEN WEI PO)—The ROK will build 40 light water nuclear reactors with a capacity of 1 million kw each in China's coastal areas, in a plan to help China develop its nuclear power industry, and will then cooperate with China in designing and manufacturing a special nuclear reactor model for export to other countries.

ROK Ambassador to China Hwang Pyong-tae, who had returned to Seoul to attend the meeting of outpost envoys, said this afternoon that China had agreed to cooperate with the ROK until 2010 in building 30 to 40 nuclear power stations equipped mainly with the "ROK model" light water nuclear reactors in China including its coastal areas. He added that the two countries would then jointly develop and manufacture a special model of reactors for export to other countries.

According to a source, the ROK Power Commune and the China National Nuclear Corporation signed a memorandum of understanding for an on-the-spot joint survey to determine the sites for nuclear power stations. The two sides have agreed in principle to cooperate in carrying out a nuclear energy development plan taking as the standard model the third and fourth 1 million kw nuclear reactors under construction in Ulsan, South Korea.

The technology for the so-called third and fourth Ulsan nuclear reactors was provided by the U.S..

### Wu Bangguo Meets Mongolian Party Leader

OW1502144995 Beijing XINHUA in English 1430  
GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Wu Bangguo, member of the Political Bureau of the Chinese Communist Party (CPC) Central Committee, met with a delegation from the Mongolian People's Revolutionary Party headed by General Secretary Dash Yonden here today.

During the meeting, Wu, who is also a member of the Secretariat of the CPC Central Committee, said that the delegation's visit to China will help develop relations between the two parties and make a positive contribution to the overall development of friendly ties between the two countries.

China wishes to consolidate and develop good-neighborly relations with Mongolia on the basis of the five principles of peaceful co-existence, Wu said, adding that "we also wishes to expand friendly ties between the two parties, based on the principle of independence, complete equality, mutual respect, and non-interference into other's internal affairs."

Dash Yonden, who came to Beijing at the invitation of the Chinese Communist Party, said that the delegation hopes to make efforts at furthering the relations between both the two parties and the two nations.

Li Shuzheng, head of the International Liaison Department of the CPC Central Committee, and Dagua Tsakhilgan, Mongolian Ambassador to China, were present at the meeting.

After the discussion, Wu gave a banquet in honor of the Mongolian visitors.

### West Europe

#### 'News Analysis' Views Cooperation With EU

OW1602085595 Beijing XINHUA in English 0643  
GMT 16 Feb 95

[XINHUA "News Analysis": "Good Momentum for China-EU Co-operation"]

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—Though the European Union (EU) is facing new problems in the process of its integration, the momentum for the growth of its economic co-operation and trade with China is continuing.

Over the past few years the volume of the two-way trade has been on the rise year by year. In 1994 the volume of bilateral trade increased from 26.1 billion U.S. dollars-worth in 1993 to 31.5 billion U.S. dollars-worth.

An official from the Chinese Ministry of Foreign Trade and Economic Co-operation predicted that the total volume of trade between China and the countries of the EU, which has recently absorbed three new member states, is expected to surpass 40 billion U.S. dollars-worth this year.

Now the EU countries are concentrating their gaze on China. Many leading transnational corporations, such as Germany's Mercedes-Benz, France's Alcatel, Italy's Fiat and Philips of the Netherlands have been vying with each other to enter the Chinese market.

Regarding China as an ideal strategic place for their overseas investment, they have made medium- or long-term plans for investment, resulting in a great upsurge of money flowing into China.

By the end of June last year, 12 EU countries had established more than 3,350 joint ventures, co-operative enterprises and solely EU-funded ones in China, with a total contractual value of over 10 billion U.S. dollars, covering a wide range of such areas as communications, transportation, energy, telecommunications, petrochemicals, machinery, motor cars and electronics.

Besides, the member states of the EU provided China with government loans of 12.1 billion U.S. dollars from

1979 to June last year, which accounted for over one third of the total granted to China by 22 countries worldwide.

Analysts attribute the upsurge mainly to the readjustment of the EU countries' policies toward China and also to China's reform, opening to the outside world and vigorous economic growth.

At the beginning of this year the number of EU member states increased from 12 to 15 after newly absorbing Austria, Sweden and Finland.

But the EU enlargement has brought new challenges to its inter-relationships. Different views among the EU countries have appeared on issues related to the unification of the European currencies and the revision of the Maastricht Treaty, because of their different economic strengths and interests.

However, they share common views on furthering their ties with the Asian countries, and developing their economic co-operation and trade with China in particular.

This can not be separated by the current economic development of the EU countries.

It is known to all that the economy of the EU, having undergone severe postwar decline, began to resume comparatively rapid growth, with an average increase of 2.6 percent last year, nearly equal to the normal level.

However, as they still face grim problems like high unemployment rates and hovering budget deficits, EU members have to seek new policies to invigorate the overall European economy.

So EU countries have become more interested than ever before in shifting their strategic focus from the west to the east, which is regarded as the most vigorous economic region in the world.

They began re-considering their policies towards China, one of the most rapidly developing countries in Asia, and are actively seeking to foster long-term and stable relations with it instead of imposing economic sanctions against it.

Sino-French co-operative relations in economy and trade have walked out of a deadlock, entering a period of all-round resumption and development, and Sino-German ties witnessed new breakthroughs and progress last year.

Now, Germany, Italy and Britain rank among the ten-largest trading partners of China, while Britain and Germany have become two of the ten countries and regions investing the most in China.

It is particularly notable that China's trade with foreign countries has averaged an annual increase of 16.2 percent over the past 15 years, which provides favorable

conditions and possibilities for furthering its economic co-operation and trade with the EU.

The official from the ministry, who is in charge of European affairs, pointed out the great potential for expanding the two-way trade.

Statistics show that China's trade with the EU countries last year only accounted for 13.3 percent of its total foreign trade volume of 236.7 billion U.S. dollars-worth. This can not match their respective sides' economic strength.

He expressed the hope that the EU would further broaden financing access and make full use of varied forms of financial aid and preferential commercial loans so as to set up good financial conditions for some major projects of the two sides and provide convenient conditions for expanding China's exports to the EU.

#### **Former French Prime Minister on 'Encouraging' Symposium**

*OW1402162995 Beijing XINHUA in English 1603 GMT 14 Feb 95*

[FBIS Transcribed Text] Beijing, February 14 (XINHUA)—Former French Prime Minister Raymond Barre said here this afternoon at the closing ceremony of the Sino-French Economic Symposium that it had resulted in an "encouraging outcome".

Barre, as head of a large French economic and trade delegation, attended the symposium, which was jointly sponsored by the China Council for Promotion of International Trade (CCPIT) and the France-China Committee (FCC), which opened here yesterday.

Nearly 200 leaders or representatives from many big banks, insurance companies, energy concerns, automobile manufacturers, and other fields discussed issues concerning the reform of state-owned enterprises, and the insurance, energy, public service, and finance sectors at the two-day event.

Barre told the symposium that the French conferees had drawn very "positive conclusions" about the future of cooperation between the two countries after studying China's economic policy, adding that "They have seen that the Chinese government is continuing its policy of opening up, economic reforms, and maintaining economic stability."

He went on to say that the economy in China's coastal areas is growing swiftly and the country's central and western parts are also speeding up economic development. This has provided France and other countries many opportunities to cooperate with China.

The middle- and small-sized French enterprises are willing to do their part to contribute to the construction of public facilities in China's rural areas and medium- and small-sized cities, by providing facilities or other cooperative means, Barre said.

He also pointed out that China's economic development will create more possibilities for Sino-French cooperation in large projects.

CCPIT Vice-President An Chengxin said at the ceremony that the success of the symposium indicated that Sino-French economic cooperation has entered a "new era".

FCC Chairman Jean-Pierre Desgeorges said that his committee would further study the suggestions of the symposium.

#### **Luo Gan, Tao Siju Meet Greek Public Order Minister**

OW1602115395 Beijing XINHUA in English 1005 GMT 16 Feb 95

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—China and Greece have agreed to cooperate in cracking down on trans-national crimes and an agreement in this regard has been signed.

The common wish was expressed at a meeting today between Luo Gan, State Councillor and concurrently secretary-general of the State Council, and Stelianos Papatheimis, Minister of Public Order of Greece.

Chinese Minister of Public Security Tao Siju who was present during today's meeting held talks with his Greek counterpart Wednesday [15 February] before signing an agreement on strengthening cooperation between police of the two countries.

#### **CPC Official Meets Portuguese Delegation**

OW1402142595 Beijing XINHUA in English 1409 GMT 14 Feb 95

[FBIS Transcribed Text] Beijing, February 14 (XINHUA)—Wei Jianxing, member of the Political Bureau of the Central Committee of the Communist Party of China (CPC), met with a delegation from the Socialist Party (SP) of Portugal here today.

Wei, also a member of the Secretariat of the CPC Central Committee, said that although they are geographically far away from each other, China and Portugal, and the CPC and the SP, enjoy solid relations.

Both countries and parties are committed to world peace and stability and to the economic development of their countries and the world as a whole, he added.

He expressed the belief that the visit will serve to further mutual understanding and friendship between them, and contribute to the friendly cooperation between the two countries and two peoples.

The group, led by Antonio Vitorino, member of the Standing Committee of the SP Central Committee, arrived here today for a five-day visit as guests of the International Liaison Department of the CPC Central Committee.

This is the first visit to China by an SP delegation, CPC sources said.

### **East Europe**

#### **Slovene Prime Minister Continues Visit**

##### **Qiao Shi Meets Drnovsek**

AU1402211695 Ljubljana Radio Slovenia Network in Slovene 1430 GMT 14 Feb 95

[Report by Blanka Dobersek from Beijing]

[FBIS Translated Text] On the second day of his official visit to China, Slovene Prime Minister Dr. Janez Drnovsek first visited the famous Great Wall and then took part in a business conference of the Chinese Economic Chamber. Zheng Hongye, president of this economic institution, said that trade was gradually increasing, that it amounted to \$29 million in 1990 and to more than \$40 million last year; that China mostly exported textile products to Slovenia; and that the economic conference was supposed to deepen mutual knowledge in order to increase trade.

Dr. Drnovsek stressed the fact that Slovene per capita export was higher than Chinese. He informed the participants of the conference about the economic circumstances in our country, which was later supplemented by Vojka Ravbar, state secretary in the Ministry for Economic Development and Cooperation. Drnovsek also proposed that the Chinese Economic Chamber become a motor of the economic cooperation.

In the afternoon, Dr. Drnovsek also met with the president of the Chinese Parliament permanent committee Qiao Shi. He was of the opinion that Slovenia is small in size, but well developed economically. Qiao Shi, who visited Slovenia twice at the end of the seventies, pronouncedly assessed our country as any other European state, just as Chinese Prime Minister Li Peng did during the talks and the official dinner yesterday, which was a new opportunity to learn more about each other.

##### **Jiang Zemin Meets With Drnovsek**

OW1502090795 Beijing XINHUA in English 0819 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Chinese President Jiang Zemin said here today that China is willing to work together with Slovenia to improve their mutually beneficial relations and cooperation.

Meeting with visiting Slovenian Prime Minister Janez Drnovsek at Zhongnanhai here this morning, Jiang pledged that China will support Slovenia's independence, respect its independence and territorial integrity, and place great importance on its friendly ties with it.



Since the two countries fostered diplomatic relations some three years ago, bilateral ties have progressed smoothly, he said, adding that the two sides can co-operate in many aspects.

Drnovsek said that the purpose of his current visit is to seek expansion of Slovenia's co-operation with China.

The two countries can co-operate not only in economy and trade, but also in science and technology, he said.

He expressed the desire that the Slovenian entrepreneurs who are accompanying him on the visit would find items of common interest with their Chinese colleagues.

Jiang said that it is China's consistent stand that countries, big or small, should treat each other on an equal footing.

It is only five years or so to the 21st century. Countries all over the world are confronting the common task of how to establish a fair, reasonable, equal and mutually beneficial new political and economic order in the next century, Jiang said.

During the meeting Jiang asked Drnovsek to convey his cordial greetings to Slovenian President Milan Kucan, welcoming him to visit China at a time convenient to him.

After the meeting Drnovsek and his party left here for Chengdu by air in the company of Liu Jianfeng, chairman of the Chinese government reception committee and vice-minister of the electronics industry.

#### **Slovene Prime Minister Tours Sichuan**

*OW1502140995 Beijing XINHUA in English 1356  
GMT 15 Feb 95*

[FBIS Transcribed Text] Chengdu, February 15 (XINHUA)—Slovenian Prime Minister Janez Drnovsek and his party arrived here today for a two-day visit to southeast China's Sichuan Province.

This afternoon, Drnovsek and his party visited the Chengdu High-Tech Development Zone, Chengdu Electric Cable Plant, and a museum, accompanied by Liu Jianfeng, chairman of the Chinese Government Reception Committee and Gan Yuping, vice-governor of Sichuan Province.

Slovenian businessmen also discussed a number of economic and trade items with their counterparts from Sichuan and were able to reach some agreements.

This evening, Governor Xiao Yang of Sichuan met with Drnovsek and his party to exchange views on enhancing the economic and trade cooperation between Slovenia and the province.

The Slovenian prime minister expressed his satisfaction over the existing economic and cultural cooperation between the two sides, in addition to other fields. He also voiced the hope that such cooperation can be expanded.

#### **Latin America & Caribbean**

##### **Wu Yi, Cuban Minister Preside Over Trade Talks**

*OW1602112395 Beijing XINHUA in English 1042  
GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—Chinese Minister of Foreign Trade and Economic Cooperation Wu Yi and her Cuban counterpart Ricardo Cabrisas Ruiz expressed common wish here today to further promote economic and trade cooperation between the two countries based on equality and mutual benefit.

This morning, the two ministers jointly presided the opening ceremony of the 7th session of the China-Cuba Ministerial Economic and Trade Mixed Committee.

Wu noted in her speech that Cuba has been one of China's important trade partners in Latin America, and the bilateral trade has taken up a prominent part in China's overall trade in the region.

The Chinese government has always attached great importance to the consolidation and development of its economic and trade ties with Cuba, Wu added.

She pointed out that the development of trade cooperation between the two countries based on equality and mutual benefit has been smooth on the whole, since the two economies are complementary.

According to sources, China registered a bilateral trade volume of 580 million U.S. dollars with Cuba in 1990, and among Latin American countries, Cuba was the second next only to Brazil in terms of volume of trade with China. Due to certain reasons, however, Sino-Cuba trade in the past two years has been slightly declining.

Nevertheless, Wu continued, Cuba remains as China's major trade partner in Latin America.

Statistics from China's Customs Office show that the bilateral trade volume last year reached 267 million U.S. dollars last year, with China's exports taking up 147 million U.S. dollars and imports 120 million U.S. dollars.

Among China's major export products to Cuba are rice, beans, medicine, chemical products, machinery and electrical products and light industry products while raw sugar and medicine being China's main imports from Cuba.

Wu hoped that the two countries will exert joint efforts to create a favorable condition for cash trade starting next year.

Cabrisas expressed his appreciation over China's long-standing support to Cuba. Cuba wishes Sino-Cuban trade would move in the direction of much closer and more sustained manner, he said.

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**Leading Officials Meet Paraguayan Senate Visitor**

**NPC Vice Chairman Meets Martines**

*OW1302093295 Beijing XINHUA in English 0509  
GMT 13 Feb 95*

[FBIS Transcribed Text] Beijing, February 13 (XINHUA)—Wu Jieping, vice-chairman of the Standing Committee of China's National People's Congress (NPC), met with Diofenes Martines, vice-chairman of the Foreign Affairs Committee of the Paraguayan Senate, at the Great Hall of the People here today.

Martines is here on a 10-day visit as a guest of the NPC Foreign Affairs Committee. He was the first foreign minister of the current Government of Paraguay.

Extending a welcome to Martines on his first China visit, Wu spoke highly of the efforts Martines has made for the development of Sino-Paraguayan ties, adding that his current trip will help to enhance the mutual understanding between the two countries and the two peoples.

At present, Paraguay is the only country in South America that does not have diplomatic relations with China.

**Zhu Liang Receives Official**

*OW1102102995 Beijing XINHUA in English 0955  
GMT 11 Feb 95*

[FBIS Transcribed Text] Beijing, February 11 (XINHUA)—Zhu Liang, chairman of the Foreign Affairs Committee of China's National People's Congress (NPC), met with and hosted a dinner for Diofenes

Martines [spelling of name as received], vice-chairman of the Foreign Affairs Committee of the Paraguay Senate, at the Great Hall of the People here today.

Martines is here on a 10-day visit as guest of the NPC Foreign Affairs Committee. Apart from Beijing, he will also tour Shaanxi Province and Shanghai.

**Qian Qichen Meets Official**

*OW1302090995 Beijing XINHUA in English 0847  
GMT 13 Feb 95*

[FBIS Transcribed Text] Beijing, February 13 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen met with Diofenes Martines, vice-chairman of the Foreign Affairs Committee of the Paraguayan Senate, here today.

Martines is here on a 10-day visit as a guest of the Foreign Affairs Committee of China's National People's Congress. He was the first foreign minister of the current government of Paraguay.

Qian recalled his meeting with Martines at the United Nations in September 1993, saying that China attaches importance to the development of its relations with the South American nation.

At present, Paraguay is the only country in South America that does not have diplomatic relations with China.

Martines, for his part, told Qian that the visit has enhanced his understanding of China and that he is keen to contribute to developing the relations between the two countries.



**Political & Social****Deng's Doctor Cited by DER SPIEGEL Out of Country***HK1602100995 Hong Kong AFP in English 0948 GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, Feb 16 (AFP)—The Chinese government reaffirmed Thursday that paramount leader Deng Xiaoping was in good health despite a recent report saying his health was unstable because of circulatory problems.

"Deng Xiaoping is in good health," said Foreign Ministry spokesman Chen Jian during a weekly news conference. He refused to provide additional details.

Prominent Chinese physician Wu Jieping was quoted by the German magazine Der Spiegel in a February 8 interview as being one of Deng's doctors.

He said the 90-year-old Deng suffered from Parkinson's disease and was vulnerable to "rapid change" because of blood circulation problems.

Wu, vice president of China's parliament, has denied the remarks, claiming the magazine invented them.

Der Spiegel's Beijing correspondent, Juergen Kremb, maintains that Wu spoke at length about Deng's health and that he had a copy of the interview transcribed by Wu's secretary and initialed by the doctor himself.

"It is the policy of Spiegel not to publish interviews without the accord of the interviewees," he said.

An official of Wu's political party, the September 3 Society, said Wednesday Wu was out of the country.

"All the remarks on the health of Deng Xiaoping attributed to Doctor Wu by the magazine were invented," the official said.

In the interview, Wu was asked about the health of Deng and reportedly said, "blood circulation in the brain is no longer fully functional. The heart is no longer getting enough blood."

"This situation could lead to rapid changes in his condition."

Deng has not been seen in public for a year and his absence from Lunar New Year celebrations on January 30 confirmed his health is declining, according to observers.

After being quoted last month as saying Deng's health was declining day by day, his daughter, Deng Rong, has also retracted her remarks.

Now in the United States promoting the biography she has written of her father, she has said several times in recent days that Deng is well and that he celebrated the New Year with his family.

**Deng's Daughter Calls Coma Report 'Groundless'***OW1602021695 Tokyo KYODO in English 0010 GMT 16 Feb 95*

[FBIS Transcribed Text] New York, Feb. 15 KYODO—A daughter of Chinese paramount leader Deng Xiaoping on Wednesday denied reports that her father is in a coma.

Xiao Rong, speaking at a press conference to promote a biography of her father which she wrote, said reports referring to Deng's comatose condition are groundless.

"For someone who has reached the ripe old age of 90, I think you can say his health is quite decent," she said.

In a report from Beijing, the South Korean daily Kyung-Hyang Shinmun on Tuesday quoted a Chinese source as saying that a high-ranking Chinese official revealed that Deng has lost consciousness and is on an oxygen inhaler.

Deng's failure to appear in public has created speculation that his health has deteriorated.

**Shanghai Media Carry Deng Rong's Comments on Deng****On Spring Festival Activities***OW1602091895 Shanghai WEN HUI BAO in Chinese 13 Feb 95 p 1*

[Report by reporter Xia Zhaolong (1115 0340 7893): "Deng Xiaoping Celebrates Spring Festival This Year in Beijing—On New Year's Eve, the Family of Four Generations Gathers in a Warm and Boisterous Mood; Deng Rong Says: Father Was Especially Happy That Day"]

[FBIS Translated Text] According to a XINHUA dispatch from New York 11 February, Deng Rong, who is currently visiting New York, said: Deng Xiaoping spent the Spring Festival this year in Beijing. On the eve of the new year, the family of four generations happily gathered in a warm and boisterous mood, trampling on balloons to hear the noise. "Father was especially happy that day."

In an interview with a reporter of the Chinese language QIAO BAO [OVERSEAS CHINESE NEWS], she said: Recently a THE NEW YORK TIMES report distorted her remarks about Deng Xiaoping's health condition. If his health were really deteriorating like that, "it would not have been possible for me to visit France and the United States" on the current trip.

QIAO BAO published the interview in a prominent position today [11 February]. Deng Rong arrived in New York from France yesterday to promote the distribution of the English version of the book *My Father Deng Xiaoping*, which she has authored.

At the Waldorf Hotel where she was staying, she told reporters: Deng Xiaoping, like other Chinese leaders, has always attached importance to, and has devoted himself

to, promoting the development of friendly relations between China and the United States and their peoples. Even when the Sino-U.S. relationship was at the most difficult juncture, he pushed for the restoration and development of bilateral relations with full confidence. "Sino-U.S. relations have always been an issue of his concern," said Deng Rong. Since its publication in September 1993, *My Father Deng Xiaoping* has received extensive attention and appreciation among readers at home and abroad. So far, the book has five—Japanese, French, English, Korean, and Thai—editions. The book will be formally introduced to readers in the United States on 15 February.

### Says Deng Follows U.S. Ties

OW1602091995 Shanghai JIEFANG RIBAO in Chinese  
13 Feb 95 p 1

[Unattributed report: "Family Picture Taken on the New Year's Eve; Watching Children and Grandchildren Trampling on Balloons With a Smile; People of Four Generations Enjoy the Happiness of Family Union; Deng Xiaoping Had a Pleasant New Year's Eve; Deng Rong Says in New York: Sino-U.S. Relations Have Always Been an Issue He Follows With Interest"]

[FBIS Translated Text] Special Dispatch for JIEFANG RIBAO—Deng Xiaoping's daughter Deng Rong disclosed in New York that Deng Xiaoping could still walk, and he had a particularly delightful [te bie yu kuai 3676 0446 1938 1816] Spring Festival in Beijing watching his children and grandchildren [er sun 0334 1327] trampling on balloons.

Deng Rong flew to New York from Paris on 10 February to promote the launching of the English version of her book *My Father Deng Xiaoping*. When interviewed by the New York Chinese newspaper CHIAO PAO and the ABC television network, she said her father was physically quite well [shen ti huan hao 6500 7555 6703 1170], in the main he was not sick [zhu yao shi mei you shen mo bing 0031 6008 2508 3093 3928 7803 4016], but of course a 90-year-old man cannot be compared to young people.

According to CHIAO PAO, Deng Rong said that this year her family of 17 people of four generations spent the Spring Festival at home trampling on balloons, listening to the noise of their bursts, and Deng Xiaoping was particularly pleased [te bie gao xing 3676 0446 7559 5281]. After spending Spring Festival in Shanghai for seven years, Deng Xiaoping and his family spent the festival in Beijing this year. Since Beijing banned firecrackers this year, balloon trampling became popular among many people who wanted to hear a noise similar to firecrackers.

Deng Rong said: "Members of our family spent one and a half days inflating many balloons (with air pumps). At midnight (on New Year's Eve), my parents joined us to watch [the trampling], but he (Deng Xiaoping) did not

take part. All other members of our family, my generation, and his grandsons and granddaughters went to trample on the balloons, and we broke all of them in 10 minutes. It was quite exciting." "My dad was particularly pleased on that day. We also had a family picture taken on the New Year's Eve."

Deng Rong told the CHIAO PAO reporter that a report published by THE NEW YORK TIMES not long ago distorted her remarks about Deng Xiaoping's physical state. If his physical state were really that bad, "I could not have come out to visit France and the United States" at this time.

At the Waldorf Astoria Hotel where she stayed, Deng Rong told the reporters that, like other Chinese leaders, Deng Xiaoping always attaches importance to, and works for, promoting the development of friendly relations between China and the United States and the two peoples. Even when relations between the two countries were at their most difficult times, he remained fully confident in working for promoting the recovery and development of the two countries' relations. "Sino-U.S. relations have always been an issue he follows with interest [guan zhu 7070 3137]."

### Deng Rong Holds News Conference in New York

OW1602085395 Beijing XINHUA in English 0626  
GMT 16 Feb 95

[FBIS Transcribed Text] New York, February 15 (XINHUA)—Deng Rong, daughter of Deng Xiaoping, held a press conference here today to announce the publication of the English edition of her book, *Deng Xiaoping, My Father*.

Deng Rong told the press conference that her father's life is closely intertwined with the destiny of China in the 20th century, and she hoped that readers of the book will get an understanding of the almost legendary story of Deng Xiaoping's life.

David Lampton, president of the National Committee on U.S.-China Relations, notes in the foreword of the English-language edition, "Deng (Deng Xiaoping), who is the last major leader of the contemporary world to have lived through both world wars, played a major role in leading a protracted national revolution."

"Deng Xiaoping's life-long agenda is to contribute to making his motherland a strong, wealthy, and unified country," Lampton writes.

The 498-page English edition, published by Basic Books, contains more than 20 pictures, maps and inscriptions reflecting different periods of Deng's life.

Since its original publication in Chinese in September 1993, the book has been translated into Japanese, Korean, Thai, French and English, and more than one million copies have been sold.

**Li Peng Signs Decree for Earthquake Regulations***OW1602124995 Beijing XINHUA Domestic Service in Chinese 0530 GMT 16 Feb 95*

[FBIS Translated Text] Beijing, 16 Feb (XINHUA)—Decree No. 172 of the State Council of the People's Republic of China

The "Emergency Regulations on Destructive Earthquakes" are hereby promulgated and will take effect on 1 April 1995.

[Signed] Premier Li Peng

[Dated] 11 February 1995.

**Regulations Detailed***OW1602092795 Beijing XINHUA in English 0856 GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—To cope with possible destructive earthquakes, China promulgated a set of regulations on earthquake emergencies today.

The regulations, to go into force April 1 this year, aim to ensure the efficacy of rescue work and ensure social order in case of destructive earthquakes.

County and provincial governments in regions prone to destructive earthquakes should make plans for earthquake emergency relief, in terms of personnel, capital and materials, according to the regulations.

All announcements concerning earthquakes can only be made by the provincial government concerned.

During the earthquake emergency period, local governments will help evacuate residents to safety and prepare disaster-relief materials, equipment and personnel. Emergency measures will be taken to ensure the continuation of transportation and telecommunications, and supplies of water, electricity, gas and oil.

The regulations make it mandatory for local anti-quake and disaster-relief headquarters to enact emergency plans and report to their superior government departments.

The regulations rule that the departments of road transportation, railways, civil aviation, telecommunications, water and electricity supply, health and hygiene, civil affairs, public security and fire control must swing into action as soon as an earthquake disaster is announced.

The news media must, in accordance with the requirements of the national disaster-relief headquarters, give priority to making public information about earthquake disasters, the regulations say.

Emergency aid from overseas will be handled by civil affairs departments or the China Red Cross Society; aid from at home will be handled by local disaster-relief headquarters, according to the regulations.

**Li Peng Addresses Anticorruption Meeting***OW1602140495 Beijing XINHUA Domestic Service in Chinese 1411 GMT 15 Feb 95*

[By Central People's Broadcasting Station reporters Liu Zhenying (0491 2182 5391) and Zheng Qingdong (6774 1987 2639)]

[FBIS Translated Text] Beijing, 15 Feb (XINHUA)—The State Council held an anticorruption work conference in Beijing today. At the conference, Premier Li Peng stressed that the struggle against corruption is an important matter concerning the future and fate of the party and the state and is also a long-term task in the entire process of building socialism with Chinese characteristics. The more reform deepens and the more the socialist market economy develops, the more we should fight corruption unswervingly.

In his speech today, Premier Li Peng dealt with four questions in particular: correctly appraising the situation of the anticorruption struggle and further raising the ideological understanding of leading cadres; adopting effective measures to ensure implementation of various tasks of combating corruption; tackling the problem and eliminating the causes of the problem and launching comprehensive efforts against corruption; and effectively strengthening leadership and paying attention to encouraging government functionaries to be diligent and honest in their work.

Touching on the questions of correctly appraising the situation of the anticorruption struggle and of further enhancing leading cadres' ideological level, Li Peng said: Over the past year, various localities and departments have done a great deal of work in combating corruption. Successes have been made to varying degrees in various fields of work during different periods, and some localities and departments have done fairly well in certain fields. He said: While affirming work results, we should be aware that the fight against corruption and its results are still far from meeting the requirements of the central authorities and the masses of people. Some tasks have not been satisfactorily carried out, and many of the negative and corrupt phenomena have not been brought completely under control. In particular, economic crimes such as embezzlement and bribery, and such problems as abusing power to make illegal gains, trading power for money, and arbitrary charges by law-enforcement and supervisory departments are still rather serious and, thus, have aroused resentment among the masses of people. There are clear disparities in the work of fighting corruption among various regions and departments. First of all, this unevenness in work reflects the gap in the ideological understanding of leading cadres. Therefore, if we are to continue deepening the anticorruption struggle, enhancing leading cadres' ideological understanding has become a matter of great importance.

Li Peng pointed out: The anticorruption struggle is being launched under the conditions of reform and opening to



the outside world. Reform and opening to the outside world constitute a strong motive force for developing the economy and maintaining stability. During a period of transition involving structural changes, new contradictions and problems may occur frequently, and decadent ideas may take advantage of our weak points, thus promoting the spread of corrupt practices. Therefore, the more reform deepens and the more the socialist market economy develops, the more we should combat corruption unswervingly. If government institutions fail to resist corrosive influences and are not diligent and honest in their work, they will surely be divorced from the masses and finally will lose the support and trust of the people. We have been talking about unifying thinking and raising understanding. This means that we should think of the anticorruption struggle as an important matter concerning the life and death of the party and the country and also concerning the failure and success of reform, opening to the outside world, and the modernization drive. He stressed: Comrades of the various departments under the State Council and of governments at various levels should remain sober-minded. They should resolutely overcome the erroneous viewpoint of setting the fight against corruption against the tasks of reform, opening to the outside world, and economic development; overcome the negative attitude of combating corruption perfunctorily and of being weary of the anticorruption work; persist in "grasping two links at the same time, attaching equal importance to both"; carry out the anticorruption struggle in depth and in a sustained way; and make sure that obvious results are achieved.

Li Peng said: In combating corruption this year, we should act in accordance with the requirements set by the central authorities. On the basis of consolidating the achievements already made, we should place our primary energy and work emphasis on implementing policies and deepening the struggle against corruption so as to score new achievements. Specifically speaking, in the national campaign against corruption this year, we still have to carry out the three tasks—making sure that leading cadres are honest and discipline themselves, investigating and handling cases of discipline violations, and correcting unhealthy tendencies in government departments and in various trades and industries. However, new contents and requirements have been added to each of these tasks.

He pointed out: To encourage leading cadres to observe clean standards and self-discipline, the central authorities have added supplementary regulations in four aspects—concerning housing and construction of new units, use of cars, and forbiddance in use of public funds for lavish entertainment and for luxurious banquets. While continuing to implement the two "five-point regulations," all localities and departments should implement these supplementary regulations in real earnest. In investigating and handling cases of discipline violations, they should continue to concentrate on investigating and handling cases involving the violation of

laws and discipline in leading organs, law-enforcement departments, and economic administrative departments, focusing on the investigation and handling of cases involving leading cadres at and above the county (bureau) level and paying attention to investigating and handling cases in the fields of banking, stock trading, capital construction, real estate business, and approval for land leasing, where the incidence of cases is likely to be high and more major cases are likely to occur. No matter who is involved, investigation must be thoroughly conducted, and laws and discipline must be strictly enforced. On no account should we become soft-hearted. Governments at all levels must attach special importance to the work of investigating and handling major cases. Principal leaders should personally attend to major cases. They should strengthen leadership and improve coordination. No matter what resistance they may encounter, they should persist in pursuing the case to the end. In correcting unhealthy tendencies in government departments and in trades and industries, we should continue to firmly carry out the work of eliminating indiscriminate collection of charges, stopping the use of public funds for travelling abroad and the use of enterprises' funds and property without reimbursing the government, disconnecting the link between government institutions and their economic entities, and separating receipts and expenses in dealing with administrative charges and income from fines and confiscation of goods or property. We should concentrate on putting a stop to the three unhealthy tendencies on a province-wide scale—indiscriminately setting up checkpoints on highways to collect charges and exact fines, collecting arbitrary charges from primary and middle schools, and indiscriminately collecting charges and fees from farmers. The departments in charge of various trades should genuinely assume responsibility. They should not only correct their own unhealthy tendencies but also earnestly correct those in the trades under their jurisdiction. They should proceed from reality and concentrate on taking special measures to solve those major problems that are strongly resented by the people.

Li Peng stressed: Adopting comprehensive efforts to tackle problems and eliminate their causes constitute our basic principle for launching the anticorruption struggle in depth and in a sustained way. Under the current situation in which negative and corrupt phenomena are fairly serious, we must start with tackling the problem by concentrating on investigating and handling cases of discipline violations and solving outstanding issues that are strongly resented by the masses, so as to put a stop to the negative and corrupt phenomena. Our practice over the past few years has proved that in combating corruption, we must be strict in tackling this problem. We must be strict in dealing with those who violate discipline and break the laws; we must severely punish, according to law, those who commit criminal offenses. In handling cases supported by explicit facts and clear evidence, especially cases involving leading cadres, we must intensify efforts to wrap up these cases. At the same time, we

should pay attention to the elimination of the causes of problems and strive to resolve deep-seated problems to fundamentally reduce and prevent the occurrence of negative and corrupt phenomena.

Li Peng said: A fundamental measure to resist corrosive influences and prevent peaceful evolution is to strengthen ideological and political building. The most important way to enhance leading cadres' ideological and political quality is to study Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. We should pay special attention to promoting education on ideals and faith, particularly education on the purposes of serving the people wholeheartedly; encourage people to foster a correct outlook on life; carry forward the spirit of hard struggle, the spirit of being diligent and thrifty, and other fine traditions; oppose money-worshipping and ultra-individualism. We should draw up crime-prevention and supervisory measures on the basis of summing up our experiences, analyzing typical examples, and finding out weak links and administrative loopholes. We should step up the enactment of relevant laws and regulations and the establishment of a sound mechanism for standardizing and supervising the behavior of government leaders and functionaries at all levels.

Li Peng emphasized: Deepening reform and fighting corruption reinforce each other. The smooth progress of the reform needs the firm support of the anticorruption drive, while the fundamental solution to deep-rooted problems in the question of corruption lies in deepening reform. We should closely combine the anticorruption drive with the deepening of reform and eliminate maladies in the current structure and systems through deepening reform. This is a requirement for establishing a socialist market economic structure as well as for fighting corruption. We should adopt effective systems, mechanisms, and legislation to find a fundamental cure to problems related to corruption once and for all.

Discussing the question of giving equal emphasis on strengthening leadership and performing official duty diligently and honestly, Li Peng said: In combating penetratingly against corruption, we must trust and rely on the masses, and adopt various measures to strengthen the surveillance of the masses and public opinion over corruption, thereby placing government activities under the effective supervision by the people. We should encourage and support the masses to report on violations of the law and discipline; and urge people's congress deputies, people's political consultative conference members, and personalities in various circles to inspect and supervise the government's anticorruption work.

Li Peng said: It is the code of conduct for all public servants, as well as the basic requirement of the people for government departments, to scrupulously perform official duty, to work diligently for the people, and to abide by the law and discipline. While promoting a clean government, government organizations at all levels

should work diligently, paying close attention to promoting a clean and diligent government. All government functionaries are the servants of the people and should foster a mentality of serving the people wholeheartedly by conscientiously performing duty and working diligently and in a down-to-earth way for the country and the people.

Li Peng pointed out: Governments, especially leading cadres, at all levels must take into consideration the overall situation, and ensure the integration of government decrees and administrative discipline. We should firmly oppose failure to strictly enforce orders and prohibitions, and behavior of promoting the interests of localities, departments, or small groups at the expense of the overall interests. Leading cadres should pay particular attention to overcome bureaucracy and formalism, conduct in-debt investigation and study, forge close ties with the masses and care about their hardships, and oppose and guard against serious dereliction of duty and other irresponsible acts causing grave economic losses and personal injuries and deaths. We should bring into play the fine tradition of hard struggle and oppose extravagant practices of competing with each other for ostentation and seeking enjoyment and wastefulness. He added: Governments at all levels must adopt feasible measures to check practices that seriously alienate the masses, and strive to achieve some results before the end of this year.

In conclusion, Li Peng pointed out: The tasks of the government this year are heavy. When drawing up plans, all departments and localities must put the anticorruption drive at the center of all undertaking work out comprehensive arrangements, going all out to score new achievements in fighting corruption so as to live up to the people's expectations.

Leading comrades who attended the meeting today were Zhu Rongji, Zou Jiahua, Qian Qichen, Li Lanqing, Wu Bangguo, Jiang Chunyun, Wei Jianxing, Li Tieying, Chi Haotian, Song Jian, Peng Peiyuan, and Luo Gan. State Councillor Li Guixian chaired the meeting.

It has been learned that since the CPC Central Committee and the State Council made the decision to fight corruption in August 1993, the State Council had convened two meetings to especially map out plans for the anticorruption drive. This is the third meeting, the purpose of which is to implement the party Central Committee's new requirements for fighting corruption and to work out this year's anticorruption work among government departments so as to better serve the overall interests of "seizing the opportunity, deepening reform, opening up wider, promoting development, and maintaining stability."

At the meeting today, Supervision Minister Cao Qingze, Communications Minister Huang Zhendong, Liu Bin, State Education Commission vice minister, and Vice Finance Minister Liu Jibin spoke respectively on the progress of the anticorruption drive in government

departments, the question of rectifying the "three irregularities" on highways, the question of checking wanton fee collection in middle and primary schools, and the implementation of budgetary management of revenues from administrative fees and fines and the screening of "unit-owned exchequer;" and they also put forward concrete suggestions for carrying out the major tasks of this year's anticorruption drive.

Principal responsible comrades of all ministries and commissions, organizations under the State Council, working organizations of the State Council, and institutions directly under the State Council attended the meeting today. Leading comrades of the relevant central departments; the General Offices of the National People's Congress, the Chinese People's Political Consultative Conference National Committee, the Central Military Commission; the Supreme People's Court; and the Supreme People's Procuratorate; as well as responsible comrades of the democratic parties' Central Committees and the All-China Federation of Industry and Commerce and personalities without party affiliation attended the meeting on invitation.

#### \*Article Views Official Corruption

95CM0096A Shanghai SHEHU! [SOCIETY] in  
Chinese No 119, Dec 94 pp 24-25

[Article by Yan Qin (3601 4440): "The Tragedy of Public Funds"]

[FBIS Translated Text] There is a popular saying today that goes like this: We basically don't pay for our own meals; we basically don't spend our own money; we basically don't pay for our own housing; and we basically don't sleep with our own wives.

This is the "four basics." This leads me to ponder.

Today, there are indeed such people. Generally they are the handful of so-called "public servants" and "bosses" of some state-run or collective enterprises. They are the true practitioners of the "four basics." They eat, drink, and are merry, and basically live on "public funds." They dine at public-paid banquets; they drink public-paid fine wines; they live in comfortable, temperature-controlled hotels; they drive state-owned automobiles. If this is what is known as the superiority of the socialist system, then these people are taking such superiority to extremes and are really living it up.

What is regrettable is that this very attractive "superiority" has limited range; it does not extend very far. Ordinary workers and peasants and the masses of laborers cannot even come close. Compared to the "four basics" mentioned earlier, the ordinary people's version of the "four basics" is a very different story: They basically pay for their own meals, spend their own money, live in their own houses, and sleep with their own wives. In other words, they must pay for everything with their own money; they support themselves with the little money they earn from their own honest day's work.

The difference between these two kinds of "four basics" is indeed too great. It is normal to have differences; one should not be surprised. We have allowed some people to get rich first, haven't we? People who are rich can live well, and nobody can object to that. The problem is, the difference here is unfair and unreasonable.

"Public servants" are delegated by the Party and the people to perform public tasks. Of course they must spend "public money." They cannot spend their own money to do public work. But when "public servants" spend public money on themselves, are the first to enjoy the fruits of society's development, and even indulge themselves and squander other people's money, then they are abusing the system. This is not permissible by the Party or the people. The public funds these "public servants" are wasting do not grow on trees nor are they donated by some philanthropists; rather, they are the result of the hard work of the masses of workers, peasants, and laborers; they are collected from the masses of laborers, one by one, who are the taxpayers. This kind of squandering of taxpayers' money by a handful of "public servants" is typical of the corrupt behavior that lives off of some bad links in the public ownership system. Don't ordinary citizens have the right to be angry and upset? When this kind of righteous indignation grows beyond a point, it will explode. We often say that if corruption is not checked, it will eventually bring down the Party and the country, and these are exactly the signs of the pending crisis.

To be honest, the "four basics" of the handful of "public servants" are not always this direct; some take on twists and turns which need some annotation. The so-called "not sleeping with one's own wife" is such an example.

Under the public ownership system, the government pays for clothing, food, housing, and transportation. The only thing the government does not provide is a wife. Under the present monogamous system, all wives have their own husbands. When one does not sleep with one's own wife, whose wife will he be sleeping with? There is only one answer. He must be sleeping with someone else's wife, including someone else's future wife who has not yet been spoken for. Then we have a problem. Regardless of whether she is someone else's present wife or future wife, it is still wrong to sleep with her. This is true even in the West, which is more liberal about sexual matters, and it is even more true in China where it is believed that "a good woman will not marry twice" and "a good wife will not serve two husbands."

How do some people manage to sleep with other people's wives? There are basically two ways: One is to "capture love with power," and the other is to "buy love with public money." There is no other way. The problem is, if the man buys "the love of a virgin," when she gets married, her husband will not be marrying a virgin. If the man buys "the love of a married woman," then her husband will be stuck with a "used woman." It is simply outrageous for public servants to behave like this.



If public money can buy "love," what can't it buy? Thus for a handful of "public servants," it is simply terrific, simply wonderful, to be able to get their hands on public funds. That money is more precious than life itself.

Marxism tells us that a person's economic status determines his political stand. What is the political stand of public servants with this kind of economic status? Let us analyze it.

Do they want reform? Of course they favor reform, but there is one catch: As public servants, their power to allocate public funds and their various entitlements must not be taken away by reform. They will challenge anyone who tries to change that. Are they against corruption? They are dead against corruption, but there is also a catch: The loopholes of the public ownership system cannot be plugged. They will block any attempt to plug the loopholes of the public ownership system. Do they support economic construction? They rejoice over that, because without construction, there will be no "four basics." But if they have to do any work, mental or physical, they are less enthusiastic. They do not mind some perfunctory tasks, but they will not do real work. These people are more "public thieves" than "public servants." Rather than the impetus behind reform, they should be treated as the targets of reform. Instead of being the "lead goose" that guides the migratory birds to safety, they are the "lead sheep" that lead the flock to its death. Socialist public funds are providing the breeding ground such people. This is indeed the "tragedy of public funds."

#### \*Article Describes Types of Corrupt Officials

95CM0095A Shanghai SHEHUI [SOCIETY] in Chinese No 119, Dec 94 pp 24-25

[Article by Min Changpeng (7036 7022 7720): "Lamentable Bureaucrats"]

[FBIS Translated Excerpt] [Passage omitted] *Runners*. To expedite their admission to officialdom, they play up to people of power or influence and seek connections with the "official in charge of officials" by claiming to be fellow-townsmen, relatives, schoolmates, comrades-in-arms, or anything else or even arrange marriages. If they run into obstacles, they will go to great length to look up the "official in charge of officials" and beg him to make telephone calls or deliver letters. Some simply believe that "the road to happiness is strewn with setbacks" and "constant effort yields sure success." They kiss up, tag along, work, attend meetings, and follow the leader everywhere; they simply will not give up until they succeed. Or they live by the motto, "exercise extends life, but influence buys promotion." They pull connections in all directions, do everything with an ulterior motive in mind, work relentlessly, and will resort to all means.

*Beggars*. These people truly understand the meaning of "thick skin, full tummy" and "don't be shy, beg." Therefore, they may shamelessly say to their bosses, "I

am best suited for that position. Why don't you let me have it?" or "most people my age with my education and experience already have official positions of some sort. You should consider me for a position," or "I am close to retirement age. If I'm not promoted now, I may never be promoted." These people know that what they are doing is wrong and are despised and often given the cold shoulder by other, but their approach almost always proves effective.

*Buyers*. They deeply believe in the philosophy that "bureaucrats never rebuke a gift-giver" and "money can buy anything." They pay money to open doors and cross bridges, greasing every palm and bribing their way into everything. This probably is the most prevalent problem in officialdom today. An article in FAZHI RIBAO dated 30 April 1994 and entitled "The Story of Yu Who Bought His Way Into Office," which depicts a certain deputy secretary of a village party committee, is a typical example. These people either use their power or position to cater to their bosses' taste and give gifts of money; or if the boss happens to be building a new house or having a funeral or wedding or has children in school, they will send money or gifts; or they pay attention to their bosses' every need and send gifts accordingly until they get the position they want.

*The Rewarded*. These refer to recipients of rewards handed out by the departments, units, or leaders. This is a new game in the age of reform. At one time, many newspapers and journals reported that donations of certain amounts to certain departments or for certain causes would be rewarded with such and such positions. In addition, people who have made special contributions or achieved outstanding results are immediately rewarded with official positions. Furthermore, a person who has performed some heroic act at some critical moment will be immediately elevated to a leadership position, and so on and so forth. In short, there are many awards of official titles, and there are equally large number of recipients of such "rewards."

*Cheaters*. These people are so incredibly tricky and shrewd that one never ceases to be amazed. They are phony in appearance and glib with words; they go around talking about themselves and blowing their own horns. They take someone else's accomplishment as their own, turn collective success into personal achievement, paint expectations into real accomplishments, make exaggerations seem real, create something out of nothing, overstate small numbers to make them big, and misrepresent the size of their tasks—claiming that a five-year task can be accomplished in two years. They are very eloquent and can paint a very vivid picture and fool everybody in sight. These people naturally are promoted to high places.

Of course, trickery of that sort is not limited to the above few; there are many others, like sycophants and trouble-makers; the list is too long. People rack their brains out trying to get an "official" position. For what?

*They use their official position to make profit.* Usurping official position to make profit is the same as using power to make money. This is an age-old social problem; we have yet to find a radical solution. Even though there have been continuous struggles against corruption at every level, high and low, and new constraining measures are introduced every so often, some bureaucrats still believe that power is wasted if unused, because it is "invalid upon expiration." They treat promotion as the springboard to wealth. They spend public funds on banquets and gifts, accept bribes, exact graft, embezzle public money, and so on.

*They are shielded by bureaucratic protectionism.* This is what citizens mean by bureaucrats protecting each other. All around us, there are some officials who often get into trouble, make mistakes, run into problems, or perform poorly on the job, but they seem to have no worries in the world, continue to be as overbearing as ever, and lead a life of leisure. They behave like that because there is a protective wall around them, a safety umbrella over their heads, and a thick protective covering around them. There are people who are willing to turn a blind eye and intercede, make the rounds, come up with countermeasures, or put in a good word for them. They do not step on each other's toes and are willing to turn big problems into small problems and small problems into no problem at all for each other. They live by the rule that if you help me today, I will help you tomorrow. They are good to each other, and everybody is happy.

*They use each other.* "Give a plum in return for a peach" and "accommodate others and accommodate yourself." These are the tenets many bureaucrats live by today. They bring the principles of commodity exchange into officialdom and use the power they control to trade with and use each other. One person may have the power of appointment, another has the power to appropriate money; one may have the power to check and approve, another has the power to issue licenses; one may have the power to transfer and allocate, another has the power to tax, and so on. They believe that if you help my children get into a school of choice today, I may help your brother-in-law get a job tomorrow; if you help my wife get a job transfer today, I can help your father-in-law get a license tomorrow; if you help me cancel an invoice that should not be cancelled today, I'll send over some special native products tomorrow. In short, they are good at currying favors. To them, there is no impassible road and no impossible task.

*They make it "all in the bureaucratic family."* Some bureaucrats believe that "officials need roots, for they cannot grow without roots" and "without backing, an official is bound to be toppled." Therefore, they pull connections, curry favor with the rich and important, subscribe to cronyism, and become in-laws. This writer has learned that in a certain county, from the county party committee to the people's congress, from the government to the political consultative conference, from industry to commerce, from finance to industry

and business, and from transportation to culture and public health, one will find the county magistrate's daughter married to the section chief's son, the secretary serving as the god-father to the chairman's son, one manager's niece married to another manager's nephew, the general manager's sister married to the secretary's brother, and so on. In some departments and units, all the heads are constantly going around looking for possibilities, hiring matchmakers, and seeking potential mates. They want to hook up, link together, and forge closer ties among close relatives. Their relationships are tangled into an impossible mess. [passage omitted]

#### Education Minister Addresses Yunnan Meeting

HK160204095 Kunming Yunnan People's Radio  
Network in Mandarin 1000 GMT 12 Feb 95

[FBIS Translated Excerpt] The provincial meeting of party cadres responsible for education work successfully concluded yesterday after five days of discussion. The meeting earnestly studied Comrade Deng Xiaoping's educational thought, relayed the spirit of the national education work meeting, listened to reports by [Secretary] Pu Chaozhu, [Governor] He Zhiqiang, and Liang Jinquan, discussed views on several documents, including our province's implementation of the Program for China's Educational Reform and Development and the implementation of the CPC Central Committee's Some Opinions on Further Strengthening and Improving Moral Education at School, exchanged experiences of various localities in educational reform and development, and discussed and made arrangements for the principle and the overall situation of our province's educational reform and development until 2000.

Deputy Provincial Party Secretary Linghu An presided over the meeting yesterday. Minister of State Education Commission Zhu Kaixuan made a speech at the meeting. He said: By attending Yunnan Province's education work meeting of three-tier cadres, I have been able to feel the great importance and concern the Yunnan Provincial CPC Committee, the provincial people's congress, the provincial government, and the Chinese People's Political Consultative Conference provincial committee have attached to educational development. This level of meeting is rarely seen in our country. I am very heartened and pleased, as Provincial Party Secretary Pu Chaozhu, Governor He Zhiqiang, and Deputy Provincial Party Secretary Liang Jinquan have made reports at the meeting, have summed up the great achievements scored by Yunnan Province in education over the past decade, and have set forth the idea of work for the development of education in Yunnan Province.

Zhu Kaixuan also put forward his four-point view on the current education work: First, in developing China's educational undertaking, we must have a strong sense of urgency and historical mission. Second, the education work should be done in line with local conditions and in a down-to-earth manner. Third, the educational undertaking must be oriented toward economic construction



and geared to the needs of economic construction, but attention must also be paid to the regular pattern of the own development of education. Fourth, the quality and benefit of higher education must be improved through reform.

In conclusion, Zhu Kaixuan said: I wish that, under the strong leadership of the provincial party committee and the provincial government, greater strides will be made in Yunnan Province's educational undertaking and that greater contributions will be made to Yunnan's vigorous economic development.

At the meeting, Vice Governor Zhao Shumin made a speech entitled "Facing the 21st Century, Making a New Breakthrough in Our Province's Education Work." [passage omitted]

### Foreign Sponsorship of Higher Education Permitted

OW1502172995 Beijing XINHUA in English 1650  
GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—China is permitting foreign organizations, corporations and individuals to sponsor college education jointly with Chinese partners.

This ruling was outlined in "Interim Provisions for Chinese-Foreign Cooperation in Running Schools", which was published recently by the State Education Commission (SEC).

The interim provisions say that, Chinese and foreign cooperative partners may run educational institutions of various kinds at varying levels, excluding those of compulsory education and those forms restricted by special provisions by the state.

At a press conference held by the Information Office of the State Council here today, Wei Yu, vice minister in charge of the SEC, said that to guarantee China's educational sovereignty, applications for sponsoring educational institutions also, or for setting up branches will not be considered.

Foreign applications for cooperative educational institutions with an independent program offering formal higher education should be first submitted to the provincial government, and will then be submitted to the SEC of the State Council for approval.

Wei said that foreign educational institutions are not permitted to issue their own diplomas in principle. Those who have a very good reputation worldwide and who ask to provide certificates must first get approval from China's departments concerned.

The recognition of such diplomas and academic degrees should be subject to state regulations, she added, and the president or head of the cooperative educational institutions must be a Chinese citizen living in China.

It has been learned that foreign applications for running cooperative educational institutions have been received from Japan, the Republic of Korea, Malaysia, Singapore, Britain, France, Austria, Canada, the United States, and other countries.

### Crime and Punishment in PRC for 3-14 Feb

HK1602010095

[FBIS Editorial Report] The following is a compilation of reports on crime, investigations, trials, sentencings, and other judicial-related activities in the PRC monitored by FBIS during the period 3 to 14 February. The source and mode of processing are given in parentheses at the end of each entry.

As evidenced by the stories listed below, during this period PRC crime reportage focused on intellectual property rights and economic crime.

### General

#### Results of 1994 Antismuggling Operations Reported

In 1994, China's Customs achieved great success in the antismuggling struggle by concentrating on key points and solving major problems. They identified 886 major smuggling cases, involving 3.73 billion yuan, and turned over to the state 2.2 billion yuan in the form of fines and confiscations, up 29 percent over the previous year.

In light of last year's smuggling activities, which were characterized by the use of fake certificates—including invoices, seals, and signatures—the Customs concentrated on activities related to these "three fabrications." In three months alone, they discovered 180 major smuggling cases; smashed eight gangs engaged in smuggling using the "three fabrications"; and seized 138 cars, 5,260 motorcycles, 20 cases of cigarettes, 10,000 air-conditioners, and 34,860 air-conditioning compressors [kong qi tiao jie ya suo ji 4500 3049 6148 4635 1090 4799 2623]. In 1994, they cracked 250 smuggling cases involving the use of "fake certificates—including invoices, seals, and signatures"—each involving more than 1 million yuan, with the total value reaching 1.15 billion yuan.

The General Administration of Customs organized 10 Customs offices to participate in a series of joint antismuggling operations, cracking down on the smuggling of means of production in Bache Gulf, cigarette smuggling in the sea area off the Chang Jiang estuary, and smuggling boats plying the sea waters around the Zhu Jiang Delta, between Hong Kong and Macao. In these three joint operations, 59 cases of smuggling were uncovered which involved 153.53 million yuan, and a large quantity of contraband items was seized, including 42,997 cases of cigarettes, 61 cars, 4,211 tonnes of rubber, 212 tonnes of industrial paper, 350 tonnes of finished oil, 1,253 color television sets, and a number of duplicators and microcomputers.

According to incomplete statistics, Customs in various localities seized 36,749 tonnes of steel products, 6,000 cubic meters of veneer board, and 68,885 tonnes of finished oil, greatly helping the state to strengthen macrocontrol.

In 1994, Customs across the country also focused on the smuggling of erotic items into the country, intercepting such items at sea, in ports, or at outlets. The Guangzhou, Shanwei, Jiuzhou, Xiamen, Beijing, and Tianjin Customs seized large quantities of erotic printed matter and audio-visual products. In two operations, the Shanwei Customs seized large quantities of erotic books, periodicals, and playing cards. The Tianjin Customs recently tracked down for the first time computer software containing erotic materials which could be used for plate-making and color printing. According to incomplete statistics, Customs in various localities across the country seized a total of 289,000 items of erotic material, including audio-visual products. (Summary) (Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Jan 95 p 3)

#### **Ministry Spokesman Praises Nationwide Anticrime Campaign**

No marked increase of criminal cases was reported in China in 1994, and most regions enjoyed relatively good public security, thanks to a nationwide anticrime campaign, a spokesman of the Ministry of Public Security said yesterday.

The nation's public security departments received 1.611 million criminal reports last year, a 2.7 percent increase over 1993. The crime rate is 14.28 incidents per 10,000 people, making China one of the countries with the lowest crime rate.

Compared with 1990, the country had an increase of 440,000 criminal cases last year, or an annual growth rate of about 5 percent.

The distribution of criminal cases was uneven across the country, as 12 of the 30 provinces, autonomous regions, and municipalities reported lower crime in 1994 than in 1993.

A security survey conducted in 1,666 counties and cities of 19 municipal and provincial regions, including Tianjin, Shanxi, Liaoning, Guangdong, Sichuan, and Shaanxi, indicated that 92.5 percent of the areas enjoyed fairly good public order.

The spokesman said various measures were taken by the public security departments last year across the country to crack down on crimes.

A total of 1.658 million criminal cases were cracked last year, 10.4 percent more than in 1993. Of the cases solved, 444,000 were major cases, a 19.7 percent increase over 1993.

The public security departments recovered 4.6 billion yuan (\$547 million) worth of stolen money and valuables, a 16.4 percent increase, and 15,000 firearms were seized, a 27.2 percent increase. Of those, 1,525 were military weapons, a 63.4 percent drop from 1993.

Yet, the increase of serious cases remained a prominent problem, the spokesman said.

A total of 624,000 major criminal cases were reported last year, 84,000 more, or a 15.6 percent increase.

The increase of such cases as looting, defrauding, and theft were especially conspicuous, registering growths of 14.9 percent, 26.3 percent, and 17.7 percent in 1994. (Text) (Beijing CHINA DAILY in English 8 Feb 95 p 1)

#### **Report Says Over 1,000 Sentenced For Making Fake Goods**

More than 1,000 people have been sentenced for making and marketing counterfeit or substandard products in the past two years in China.

Among them, 12 criminals have been given death sentences for producing items such as fake Chinese liquor and medicine as well as chemical fertilizers, which killed at least 23 people and seriously injured 14, said the latest report from the National Anti-Fake Products Office.

Another 16 criminals have been sentenced to life imprisonment for their actions.

The report said that in the past two years, "anti-fake" offices in 30 provinces, autonomous regions, and municipalities discovered more than 218,000 cases of counterfeit products and 4,145 people have been detained for such illegal activities. Of those, 1,127 have been sentenced accordingly.

Meanwhile, 111 local leaders have been punished for their involvement in forgery or offering protection to those who made fakes. Eight of them will be investigated further, according to the report.

Fifty-four local officials at provincial and regional levels in Central China's Henan Province, for instance, were found to have been involved in a serious shoddy medicine case and all of them have received punishments ranging from imprisonment and fines to post discharge.

In nationwide anti-fake campaigns, about 3 million inspectors checked 2 million markets around the country.

They also closed down more than 36,330 "fraud" centres, cracked down on some 3,700 criminal gangs, and forced 12,000 factories to stop production.

In total, the inspectors found the phony products were of several thousand different types and the labelled value of the fake commodities amounted to 5,240 million yuan (\$621 million). Of that, fake products worth 1,560 million yuan (\$184.83 million) have been destroyed.

The focus of the national fight has been on products which are closely entwined with daily life and health.

While heading off danger and economic losses to consumers by sealing up shoddy products as soon as they were spotted, the campaign has also improved the quality of goods in state-owned enterprises.

Sample product inspections conducted by the State Technical Supervision Bureau last year found that the standard rate of quality products made by the big state enterprises reached 88.6 percent, 5.3 percent higher than the previous year.

Meanwhile, a number of big department stores are inspecting commodities more closely to stem the flow of shoddy goods.

To strengthen the fight against fake products, 30 provinces, municipalities, and regions have established special groups, said officials with the National Antifake Products Office.

Law enforcement departments, administrations for industry and commerce, the mass media, and local governments are cooperating to ensure that the crack-down succeeds, officials said. (Text) (Beijing CHINA DAILY in English 8 Feb 95 p 2)

#### Fujian

##### Fujian Police Crack Down on Striptease Shows

It is reported that strip shows have recently been discovered in 13 cities and counties of Fujian. Fujian police have launched raids to curb such activity in addition to combating prostitution.

According to relevant sources, the "Great World Song and Dance Ensemble" from Henan's Zhumadian held striptease shows in cities and counties such as Zhangzhou, Quanzhou and Jinjiang. The Jinjiang public security organs arrested 15 performers, who admitted criminal acts such as performing striptease shows openly and practising prostitution.

Striptease shows were also performed in the Workers' Cultural Palace and Cultural Theater in Taijiang District of Fuzhou City. These performers also came from Henan Province and performed in the name of the "Xinhang Song and Dance Ensemble." Fuzhou police are now dealing with the organizers of these shows. (Summary) (Beijing ZHONGGUO XINWEN SHE in English 1118 GMT 8 Feb 95)

##### Fujian Reports Results of Investigating Economic Crime

Fujian provincial meeting of procurators revealed that last year the province opened files for investigating some 2,200 cases of economic crime such as corruption and bribery, involving 206 million yuan. The number of files opened was a 21 percent increase over the previous year. Among these cases, 70 percent concerned corruption and bribery, 25 involved 1 million yuan each, and 12

involved 10 million yuan each. The province investigated 74 cases involving leading cadres at and above county and office levels. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1115 GMT 10 Feb 95)

##### Fujian Procurator Stresses Anticorruption Struggle

Fujian Chief Procurator Zheng Yizheng said yesterday that procuratorial organs will emphasize the struggle against corruption this year. He said that the key points of work are as follows: First, investigating economic crime such as corruption and bribery in leading party and government departments, administrative and law enforcement departments, judicial departments, and economic management departments. Second, investigating abuse of power and trading of power for money among leading party and government cadres who have actual power. Third, investigating cases involving legal persons, particularly those involving real estate, the rebuilding of old towns, and the leasing of land, regarding which the masses have strong grievances. Fourth, investigating new crimes which jeopardize the reform measures, such as forgery, speculation, and false invoices. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1114 GMT 10 Feb 95)

#### Guangdong

##### Criminals Involved in Gunfight Apprehended at Shenzhen Checkpoint

Officers and men of the armed police corps assisted public security cadres and policemen in rounding up thugs on the overpass outside the Tongle checkpoint of the Shenzhen Special Economic Zone along the Guangzhou-Shenzhen Expressway.

At 1600 on 10 January, in Shenzhen's Nanshan District, during a gunfight between two gangs, five thugs of one gang shot one of their opponents dead and severely wounded another, then fled by car along the Guangzhou-Shenzhen Expressway toward Guangzhou. Three policemen from the Pingshan police substation, passing in a van, pursued them. The political commissar of the Tongle checkpoint, who was organizing the troops to study a document from the higher levels, saw what was happening. The thugs' car hit the barrier, and they scattered. One ran along the overpass. A soldier on field patrol blocked his way, and with another soldier subdued him. The other four thugs could see no exit on the expressway, and climbed the barrier and jumped from the overpass. Officers and men of the armed police corps at the checkpoint captured one, another hid in a shack.

The commissar ordered the shack surrounded. The checkpoint chief came to conduct the operation. Some 30 fully armed cadres, policemen, and security men organized by Baoan Public Security Sub-bureau's Linzhi Police Substation arrived. The thug eventually surrendered.



With the complete cooperation of the armed police corps officers and men, and the public security cadres and policemen, four of the thugs were rounded up in less than two hours from the eruption of the gunfight. Two remain at large. (Summary) (Shenzhen SHENZHEN TEQU BAO in Chinese 23 Jan 95 p 11)

#### **Shenzhen Customs Department Seizes Counterfeit, Pirated Products**

Shenzhen's Wenjin Crossing customs department recently detected two cases of violation of intellectual property rights [IPR], and stopped the exit of the relevant goods, thus safeguarding the reputation of the country and nation.

On the evening of 13 January, Fenggang Willpower Electronics Company Limited declared to the customs department that it was exporting double-cassette recorders plus radios and auto-cassette players plus radios, but customs personnel found that they were actually 100 sets of counterfeit cassette players plus radios using the name "Yamaha," as well as 1,500 sets of "Prosonic" cassette recorders plus radios imitating the name "Panasonic." On the afternoon of 19 January, a truck driver who worked for Hong Kong's Fuxun Transportation Company declared at the customs department that he had 470 boxes of reed and mandarin oranges. But customs personnel discovered 3,960 pirated CD ROM's and 2,500 pirated CD's.

The above-mentioned cases have been handed over to the relevant department for further investigation. (Summary) (Guangzhou NANFANG RIBAO in Chinese 9 Feb 95 p 2)

#### **Shenzhen Executes Four Counterfeit Invoice Sellers**

Yesterday morning, Shenzhen City Intermediate People's Court sentenced four principal criminals who sold fake invoices to death. Another 14 culprits received life imprisonment or two-year jail terms. The four principal criminals were unemployed peasants from Lufeng and Chaoyang. Beginning in October 1993, they sold fake invoices in Shenzhen. The invoices professed to be unified invoices issued by the industrial and commercial enterprises in the city. By the Spring Festival of 1994 they had made 24,000 yuan. By 4 March 1994 they had also sold 40,700 fake value-added tax invoices and 1,650 ordinary invoices, earning 46,972 yuan. In March 1994 police arrested the 18 criminals and seized some fake invoices, 55 fake chops, 13 knives, one handgun, and three bullets. (Summary) (Guangzhou NANFANG RIBAO in Chinese 12 Feb 95 p 1)

#### **Guangzhou Police Smash Hunan Gang Robbing Bus Passengers**

Last winter bus passengers were frequently robbed on the Guangzhou sections of the expressways between Guangzhou and Foshan and Shenzhen as well as on the Guangzhou-Huacheng Highway. The Guangzhou Bureau of Public Security set up a task force to crack

down on this crime. About seven criminals armed with knives robbed 20 passengers on board a bus en route to Foshan from Guangzhou one evening. They stole some 10,000 renminbi and valuables, but were ambushed by task force members. Two resisted arrest and were wounded. A third was captured, while the others are still at large.

Later, police raided a house and arrested two suspects, both natives of Hunan, while the two ringleaders were finally captured in Hunan. All the members of the robbery ring were arrested.

The suspects confessed to committing robberies on 13 occasions since last September on expressways between Guangzhou and Shenzhen, Zhuhai, and Foshan. The case is pending. (Summary) (Beijing ZHONGGUO XINWEN SHE in English 1116 GMT 8 Feb 95)

#### **Guangdong Cracks Down on Crime During Holiday Season**

To maintain public order during the Lunar New Year holiday period in Guangdong public security organs launched a large-scale campaign called "Winter Operation" to fight crime. Before the holidays, Chen Shaoji, director of the Guangdong Provincial Public Security Bureau, went to Foshan and Zhaoqing to supervise pre-operation arrangements. Some 300 teams with 2,400 police officers were assigned to carry out patrol duties in major locations and checkpoints.

According to incomplete statistics, during the month-long operation, some 24,000 police officers and 200,000 militiamen patrolled streets and villages every day. Most cities and counties mobilized half their police power to maintain public order. During the period, 7,656 serious crimes were smashed, and the provincial police force arrested 11,972 criminals and seized 436 guns (including 63 used by the Army), 2,492 bullets, 653 lethal weapons, 1,667 detonators, 2,041 kg of explosive, and stolen goods worth 30 million yuan. (Summary) (Beijing ZHONGGUO XINWEN SHE in English 0813 GMT 9 Feb 95)

#### **Guangzhou Closes Seven Illegal Labor Recruitment Stalls**

Guangzhou's Labor Supervision and Inspection Department yesterday closed down seven illegal labor recruitment stalls near the train station. These stalls cheated job seekers by demanding several hundred yuan and directing them to factories which did not exist. The department says the city has over 130 labor agencies, of which only 16 have licenses. In 1994 it received over 600 complaints, nearly 40 percent of them from cheated job seekers. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1126 GMT 10 Feb 95)

#### **Guangzhou Police Raid Fake Medicine Factory**

Recently, Guangzhou police received a complaint from Guangzhou Xingquan Pharmacy Joint-Stock Company

Limited that someone was making fake medicine in a house in Huadou City's Beixing Town. The public security department sent a "lightning action team" of 100 personnel to the location and found 1,200 boxes of fake Xingquan tonics and equipment for making the fake medicine. Long Yaosi, eng, the boss of the underground factory, was arrested. (Summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1303 GMT 13 Feb 95)

#### **Drugs Seized at Baiyun Airport, Guangzhou**

The Guangzhou Baiyun International Airport Security Inspection Center has cracked the first case of a passenger carrying drugs this year. At 1400 on 10 February, a security inspector of the airport found that the appearance of a passenger bound for Shanghai was different from the photo on his identity card. A small amount of "white powder" was discovered inside a pack of cigarettes in the passenger's pocket. About 20 gm of "white powder" was also found in a pack of cigarettes in his luggage. (Text) (Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0846 GMT 14 Feb 95)

#### **Hainan**

##### **Hainan Scores Successes Against Corruption, Bribe-taking**

Hainan procuratorial organs have focused efforts on investigating and handling serious and major cases of corruption and bribe-taking, scoring great successes. According to Chief Procurator Qin Xingmin, 743 cases involving corruption and bribe-taking were handled in 1994, up 41.4 percent on 1993, with 24.76 million yuan of direct economic losses to the state and collectives recovered.

There were 59 cases and 77 criminals involving party and government leading organs, administrative and law-enforcement organs, and economic administrative departments, accounting for 25 percent of cases filed. There were 187 serious cases involving 10,000 yuan and more, accounting for 77.1 percent of cases filed, up 39.5 percent on 1993, seven cases involving between half a million and 1 million yuan, and 22 cases involving more than 1 million yuan. Eleven cadres at and above county level had committed economic crimes. Statistics show that 63 economic cases involved real estate, shares, and futures, accounting for 27 percent of cases filed. (Summary) (Haikou HAINAN RIBAO in Chinese 10 Feb 95 p 1)

#### **Henan**

##### **Henan Reports Results of Action Against Crime**

From 19 to 21 September 1994, public security departments throughout Henan conducted a crackdown on crime, during which 5,700 criminals were arrested and 2,400 criminal cases were cracked. Statistics show that from July to the end of last year, more than 13,000 criminal cases were unearthed in rural areas and 1,800 criminal gangs were seized. More than 4,900 spots where

social order was bad were dealt with. (Summary) (Zhengzhou Henan People's Radio Network in Mandarin 2300 GMT 10 Feb 95)

#### **Shaanxi**

##### **Shaanxi Announces Discipline Inspection Results for 1994**

The provincial commission for discipline inspection has announced that in 1994 discipline inspection and supervision departments received 35,634 complaints, opened files to investigate 2,793 cases, and finished investigating 2,675 cases; 2,733 persons were subjected to party and government disciplinary action, 10 of them cadres at prefecture and department levels and 96 of them cadres at county and office levels. Statistics show that the discipline inspection and supervision departments transferred 213 persons to the judicial departments for handling, and retrieved 36.7 million yuan of economic losses for the country. (Summary) (Xian SHAANXI RIBAO in Chinese 23 Jan 95 p 1)

#### **Shanghai**

##### **Shanghai Opens Files on 116 Cases of Economic Crime in January**

In January, Shanghai's procuratorial organs opened files to investigate 116 cases of economic crimes such as corruption and bribery. These included 106 big cases and 13 involving cadres at or above office level. (Summary) (Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0910 GMT 8 Feb 95)

##### **Shanghai's Share-Related Corruption Cases Increase**

SHANGHAI ZHENGQUAN BAO reported that the number of corruption cases relating to selling and buying of shares in Shanghai soared to 86 last year, four times the figure in 1993. The money involved amounted to 150 million yuan. (Summary) (Hong Kong MING PAO in Chinese 10 Feb 95 p b2)

##### **Shanghai Courts Process 225 IPR Cases in Past Year**

China is increasingly strengthening the judicial protection of intellectual property rights [IPR]. This reporter learned from a news briefing today marking the first anniversary of the establishment of the IPR Adjudication Divisions of the Shanghai Higher and Intermediate People's Courts that since last February, when the Shanghai higher and intermediate courts set up the adjudication divisions, the Pudong New Area Court has also set up an IPR adjudication division, while other law courts have established collegiate benches adjudicating IPR cases. Over the past year, Shanghai courts have processed in the first instance 225 IPR cases of various types and concluded 204 of them.

This reporter learned that since the Shanghai Higher and Intermediate People's Courts set up the IPR Adjudication Divisions, a high proportion of IPR cases have involved foreign parties and parties from Hong Kong,

Macao, and Taiwan. According to Chen Xu, chief of the IPR Adjudication Division of the Shanghai intermediate court, of the 81 IPR cases processed by the division, 12, or 14.8 percent of the total, have involved foreign parties, including those from Hong Kong, Macao, and Taiwan. (Text) (Hong Kong WEN WEI PO in Chinese 12 Feb 95 p a3)

#### Yunnan

##### Twenty-Two Criminals Executed in Yunnan

On 14 and 16 January, judgment-pronouncing meetings were held in Lunan, Yiliang, Puning, and Guandu, and 22 criminals who had committed murder, robbery, theft, rape, and organization of prostitution were escorted to the execution grounds to face firing squads. Chen Deying was condemned to death for organizing prostitution. She lured and forced the women working in her hotel into prostitution, earning 12,400 yuan. Jin Shubing, an armed robber, shot dead a policeman and seriously wounded another with an assault rifle in the suburbs of Kunming when he tried to escape on 26 January 1994. (Summary) (Kunming YUNNAN RIBAO in Chinese 18 Jan 95 p 1)

##### Kunming Burns Illegal, Pornographic Materials

The Kunming City Social and Cultural Administrative Committee yesterday afternoon burned a quantity of illegal and pornographic materials to clean up the city for the Spring Festival and to show the determination and confidence of the party, government, and people of the whole city in cracking down on vice and illegal publications.

Under the extensive "vice sweep" and "crackdown on illegal publications" mounted in November last year, culture, public security, industrial and commercial, and broadcasting and television departments, with the help of the public, have seized 66,000 illegal books, some 30,000 illegal videotapes, 76,000 illegal audio tapes, over 10,000 pirated compact discs, and some 3,500 laser discs; dealt with 35 units that copied and recorded videotapes without proper authorization and five units that sold illegal publications; closed seven pornography sales venues; and arrested and tried 66 persons involved in 26 cases. Markets openly selling illegal audio-visual products have been closed, and sales of pirated compact discs and smuggled laser discs have been effectively halted.

The 57,000 books, 100,000 boxes (discs) of audio-visual products, 3,800 poker cards with indecent material, and 60 kg of pornographic videotape jackets that were burned yesterday afternoon were only part of the seized materials. The rest will be dealt with in turn. (Kunming YUNNAN RIBAO in Chinese 30 Jan 95 p 2)

##### Yunnan Courts Try Nearly 150,000 Cases Last Year

Last year, courts at all levels in our province tried nearly 150,000 cases of all kinds and meted out severe punishment to a large number of criminals. In particular, in

order to curb increasingly serious drug-related crimes, courts confiscated drug-traffickers' property in addition to the principal penalties. Meanwhile, echoing the anti-corruption drive, courts also intensified the trial of economic cases and accepted and heard over 1,400 cases of embezzlement, bribe-offering, investment profiteering, smuggling, production and sale of fake goods, and tax evasion; while five graft-taking criminals were sentenced to death. In addition, courts also tried over 14,000 cases of economic disputes. (Summary) (Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 9 Feb 95)

##### Police of Yunnan Provincial Procuratorate Commended for Arresting Fugitives From Liaoning, Jiangsu

The police of Yunnan procuratorate have been commended by the Supreme People's Procuratorate for helping procuratorial organs of other provinces apprehend fugitives fleeing to Kunming. Late last year the provincial procuratorate's headquarters for handling major cases arrested (Peng Guoliang), former manager of the Shenyang branch of (Apollo) Corporation, who had fled to Kunming after embezzling over 500,000 yuan of company funds, and (Tian Guangqiang) and (Chen Wentao), former marketing manager and deputy marketing manager of the corporation, who had embezzled tens of thousand yuan of public funds. The police also arrested (Sun Yajing), former staff member of Jiangsu Huaiyin City Foreign Trade Corporation, who had absconded with over 1.5 million yuan of evaded taxes. A few days ago, the criminals were turned over to procuratorial organs in Liaoning and Jiangsu respectively for trial. (Summary) (Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 9 Feb 95)

##### National Family Planning Work Meeting Concludes

HK1602105295 Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 12 Feb 95

[FBIS Translated Text] The 1994 national work meeting on statistical analysis of the population situation, which lasted for five days, concluded successfully in Kunming yesterday afternoon. Peng Peiyun, state councillor and minister of the State Family Planning Commission, made an important speech at the meeting. She said: A lot of learning is required to treat the population issue, and even greater learning is required to settle population issue of China—the most populous developing country. We must earnestly explore ways to fulfill our task in a more satisfactory way.

Comrade Peng Peiyun pointed out: Various localities must attach great importance to, and treat conscientiously the issues of revising the 1995 population plan and of formulating the 2010 population plan, and efforts must be made to work out a scientific, vigorous, and feasible population plan that definitely will have a great impact on achieving China's strategic objective and on promoting social and economic development and



progress. It is unfavorable to have either a too-high or too-low target in our population plan, and various localities should start working as soon as possible, take the initiative in coordinating with relevant departments, and accomplish this work in a conscientious manner.

Comrade Peng Peiyun stressed: Various localities and departments should have an adequate understanding of the long-term nature and arduousness of family planning work, analyze the population situation, lay down the 1995 population plan in a scientific and down-to-earth spirit, and set demands on our work according to the highest possible standard.

Comrade Peng Peiyun said: The Program for China's Family Planning Work has been discussed and approved at a routine State Council meeting, and has been issued to the whole country. This is an important guiding document for accomplishing China's family planning work in the days to come, and various localities must pay attention to the work of studying, propagating, and implementing the Program, as well as earnestly discussing, drawing up, and carrying out concrete measures of the Program so as to standardize family planning work. Efforts must be made to deal with the population issue comprehensively, to further strengthen the rural family planning network, and to implement the responsibility system at every level. Party and government leaders should assume overall responsibility, whereas leaders and the rank-and-file should make joint efforts to firmly implement relevant measures in accordance with the specific guidelines given, enthusiastically accomplish the work in a scientific manner and with a solid work style, and strive to achieve greater success in the new year.

Yunnan Governor He Zhiqiang also made a speech at the meeting, saying: The national work meeting or statistical analysis of the population situation has offered us a good learning opportunity, and will give a strong impetus to family planning work in Yunnan. This meeting has laid solid foundations for revising the 1995 population plan, and for formulating the 2010 population plan. Yunnan is a border nationality province, and compared with fraternal provinces and regions, it still has a long way to go in terms of economic development. Under the conditions of a weak foundation and complicated circumstances, Yunnan has achieved certain results in performing family planning work, but discrepancies still exist. We must improve our family planning work in accordance with the requirements set down by this meeting, and in light of Yunnan's actual conditions.

Governor He Zhiqiang said: The Yunnan Provincial CPC Committee and the provincial government have always attached great importance to family planning work. Every year, special efforts will be made to study new conditions and problems that have arisen in family planning work, and to devise policies accordingly. This year, we have decided to make greater investment in family planning work, with the per capita expense

reaching three yuan. Moreover, we will strengthen and stabilize the work of grass-roots family planning units so as to prepare the ground for family planning work, and will limit Yunnan's population within the target set by the state.

(Zhang Beiqing), executive vice minister of the State Family Planning Commission, gave a summarizing speech at the meeting, whereas Jiang Zhenghua, vice minister of the State Family Planning Commission, presided over yesterday's session. Yunnan Vice governor Huang Bingsheng; Chen Liying, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference; and others; attended the meeting.

### **\*Scholars Discuss Changing Population Problem**

95CM0060 Beijing RENKOU YANJIU [POPULATION RESEARCH] in Chinese No 5, Sep 94, pp 2-10

[Article by Gu Baochang (7357 1405 2490) and Mu Guangzong (4476 0342 1350): "A New Understanding of China's Population Problem"; edited by Wang Zhigang 3769 1807 0474); RENKOU YANJIU is sponsored by the Population Research Institute, Chinese People's University]

[FBIS Translated Text] [Editor's note] Summary: The new circumstances of China's population problem require a new understanding: fewer births are not everything. The basic strategy for solving the population problem must emphasize "manpower theory" as well as "population theory" and must "open a channel" as well as "reduce the flow." There are two possible negative effects of fertility control: an excessive haste effect and an over-emphasis effect. We must watch out for the predicament of "controls without development or not conducive to development." China needs population control which can be implemented within the framework of sustained development, a "broad population concept" essential for the age of comprehensive management, and a "five-in-one" population development strategy.

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Why is there a need for a new understanding of the population problem in China? This is really not a statement designed to shock. Historical developments have reached this stage: Under new historical conditions, we need to undertake some reflection to achieve a deeper and more comprehensive understanding and thus adopt more timely and efficient policies.

China's population problem is not static. The population problem is a function of economic development. The tumultuous process of change in China during the late 20th century is necessarily reflected in every aspect of the population problem. From a macroeconomic point of view, there are at least the following historical background points, which cannot be ignored when looking for a new understanding of China's population problem.

First is that China has had more than ten years of experience of market-induced socioeconomic changes, particularly while the establishment of a socialist market economic system was clearly being promoted during the nineties. These revolutionary changes in the system environment and the market-induced process of change have had and must continue to have profound effects on the population dynamic and on population work. These effects are multifaceted. If one keeps the general goal in sight, these are first manifested in that the living environment of the Chinese people has begun to restructure itself to resemble those of market economy societies in that the traditional living environment based on a culture of the "family as primary unit" is gradually being replaced by the modern "individual as primary unit" culture as the spirit of the living environment. The Chinese people's traditional way of thinking, which does not consider cost, is beginning to change. The changes, which this has induced in modernizing the traditional fertility aspirations of the people and the birth culture and the transition to a modern population all have far-reaching implications. In addition, the production elements, including the working population, required for the development of a market economy must be deployed in an optimal fashion. An unprecedented tide in population movement and the rise of an urbanization movement with modern significance have begun to shape a trend of "country in the city and city in the country, the city and the country cannot be separated and the city and the country are mixed together." This foretells the inevitable future replacement of the dual model of split management of rural and urban situations. A Chinese population on the move also expands and transfers the problem in its mobility. For example, the "workers' tide" problem has a certain significance in relieving the severe degree of excess population in rural areas. So-called "blind movement" is actually not "blind." The people are clearly motivated to escape poverty and seek prosperity. Their migration toward areas rich in opportunities and potential demonstrates a strong pattern. In addition, many changes have occurred in the countryside. The trend toward industrialization of the countryside and urbanization of towns are especially pleasing. These trends could also be called "localized urbanization" or "self-urbanization." Although the residences of this urbanized population has not changed, and their "household registration status" has not changed, the lifestyle and values of these people have changed deeply. Their marriage and childbirth values and behavior are currently changing in ways conducive to family planning. More and more Chinese peasants have begun to

reshape themselves into a generation of new peasants who enjoy modern urban culture and can join in the process of modernization with the attitudes of modern people. All of the above situations have transformed the causal mechanisms, means of manifestation, and consequences of China's population problem.

Second is that since China began promoting family planning policies in the early seventies, outstanding achievements have been made in the area of population control. The population of China has entered a period of low growth within certain restrictive conditions. During the past 20 years, the birth rate in China has dropped from 33.43 percent to 18.24 percent. The natural growth rate has fallen from 2.6 percent to 1.16 percent, and the aggregate fertility rate has fallen from 5.81 percent to 2.31 percent, a level which approaches a replacement rate. The momentum of excessively rapid population growth has basically been brought under control. But at the same time that the population growth rate has been declining, the momentum of expansion of the total population numbers is still difficult to check. This is because the already existing population base is huge and continues to grow. It is estimated that the population increases by about 14 million each year and it is predicted that by the end of this century the population of China will reach approximately 1.3 billion. When the fertility rate decreases to a rate approaching replacement level, the periodic growth volume of the population will reach an unprecedented level due to the effects of population inertia. This is the so-called "low fertility rate and high growth volume" contradiction which will be the basic characteristic distinguishing the nineties from the seventies and eighties. In addition, the unexpected wave of population aging will become a raging tide not to be underestimated. Shanghai, Beijing, and other metropolitan societies will gradually become societies of aging populations. The rapid aging of the population and the many problems associated with it have already become one of the important social issues currently of great concern to our countrymen. Although the ratio of elderly people to the entire Chinese population, when compared with that in other countries, is not one of the highest in the world, the number of elderly people is nearly 100 million. Furthermore, in contrast with developed countries, where population aging follows the industrialization and modernization of the country, population aging in China has arrived "in advance," when the industrialization and modernization of China have still not reached a high level. This exacerbates the seriousness of the problem. One can be certain that the expansion of the total numbers and aging of the age structure are contradictions which will carry over into the next century.

Thus, on the one hand a series of constantly changing external variables are making an impact on dynamic of the population growth. On the other hand, the internal patterns operating within the population will bring us into a period of population problems that are even more



complex. We are coming closer and closer to the maximum limits of control of the population numbers, and the conflict between limiting the numbers and adjusting the population structure is becoming more severe. How will we "choose the lesser of two evils or the greater of two goods?"

What will the next century be like? What will be the fate of the Chinese people? Western sinologists, as objective observers, have warned us repeatedly that the main "submerged reef" in the path of economic reform and development in China is still China's swollen population. Actually, under the immense pressure of excess population, the implementation of even the finest development theory or the most outstanding strategic thinking is rife with difficulties. Of course, this does not mean that there is nothing we can do except lament. Professor Wu Cangping once gave others an inspiring comment on this: "We have no reason to resent the huge population created by history, but we must face reality and transform negative factors into positive factors to inspire a positive attitude among all the people. As to whether a large population and large labor resources can increase the overall national strength, the keys are whether 1.1 billion people can be united and in the quality of the population and labor." (Footnote 1) (Wu Cangping: "A View of the National Situation and Strength from the 1990 Census," Qun Yan, 1991 p 1)

Looking at the manifestations of this issue, it is the huge annual population increase which most attracts the attention of the common people. With an instinctive fear of a continued population expansion in the future, the issues of more births or fewer births have weighed heavily on us for a full 20 years now. Population control is without question the choice of history and the only way for the Chinese nation to live the dream of a strong country. However, the question is, will decreasing births solve everything?

The seriousness of population planning has been emphasized during the past few years, with an emphasis on the one-vote veto system. This has some good aspects but also some biases—it seems that family planning is seen as getting a grasp on population planning. If only population planning is completed, then everything will be all right. So-called population planning is summed up in the number of children born. "Fewer births is everything" is a very common and strongly felt mood. This raises a fundamental question. What after all is the fundamental goal of family planning work?

We believe that "the goal of family planning is not only to decrease births by a certain number but, more importantly, to provide the best possible population characteristics, status, and environment for the modernization of China. In other words, we seek not only to modernize fertility but also to modernize the population." (Footnote 2) (Liu Jing: "Population Modernization and Priority Development of Education," Renkou Yanjiu, 1992 p 2; Gu Baochang: "On Fertility and Changes in Fertility: Numbers, Timing, and Gender," Renkou Yanjiu,

1992 p 6; Mu Guangzong: "A Few Issues in Fertility Modernization" Renkou Yanjiu, 1993 p 2) Of course, whether it is "fertility modernization" or "population modernization," there is still much investigation and discussion to be done on the definition of concepts and the identification of the issues.

Indeed, the historical mission of population control has not yet been completed. The characteristics of China have determined that family planning will carry over into the next century. Our view, however, that "fewer births is not everything" is based on the following reasons:

First, "fewer births is everything" implies a kind of pessimism similar to population determinism and is rashly irrational. The development and spread of this type of atmosphere has easily caused local governments to take short-sighted actions (such as surprise raids on "big bellied women") and has caused the implementing institutions to rely excessively on the use of administrative methods and to ignore effective ways of using economic methods and cultural measures based on guidance and shared interests. Specifically, family planning work during the past few years has demonstrated an unhealthy trend which emphasizes "planning" and "legal control" and ignores "education" and "service."

Second, we need a philosophy which combines "reducing the flow" with "opening a channel" to resolve the problem of excess population in China. On the one hand, it is true that reducing the additional volume of excessive population as much as possible and achieving "fewer births" through family planning are means of "reducing the flow." On the other hand, the retention (from a static point of view) and flux (from a dynamic point of view) of excess population must be reduced as much as possible and the only routes to resolving this problem are: First, to develop the economy so that as many varied employment opportunities as possible are provided to satisfy the employment demand of excess labor; second, to use population movement to rationally redistribute labor power, or to allow the movement of manpower resources and other production elements to carry out the maximization of resource allocation; and third, to use essential labor capital investment systems (develop common education, professional education, and special training) to guarantee the quality of the labor supply in expectation of reducing as much as possible gaps between supply and demand caused by labor quality problems.

"Reducing the flow" and "opening a channel" actually are issues of emphasizing both "population theory" and "manpower theory." Comparatively speaking, however, "opening a channel" may actually be more practical and more urgent than "reducing the flow." The question of how to develop and utilize existing population resources (total population) and manpower resources (working population) amply, effectively, and rationally has always been a serious topic which we must face sincerely at the same time that we control the population. The study of

population movement, migration, and distribution can be very useful for this aspect. Have our efforts in this area been adequate? The problem is still that fewer births do not mean no births. Regardless of how much we reduce births, the population of China will still expand tremendously in the foreseeable future. One can imagine that if the basic national policy of family planning had not been implemented, the population problems we face today would be even more odious.

Third, controlling the population numbers is important, of course, but when emphasized to the point of "fewer births is everything," it may cause biases in the implementation of population policy, even to the extent of deviating from the basic aims of the policy. For example, omissions in reporting result in inaccurate statistics and threaten the understanding of the national situation and policy making. In addition, the reduction of room for choice in fertility has caused many people to seek every means possible to select male children. This has become a major factor in the imbalance in the gender ratio of infants born.

Population control and the healthy development of the population are not completely compatible but conflict to a certain degree. This is a point which we gave little consideration to in the past. Now that we are puzzled by "low fertility, high increases," we should have enough scientific rationality and courage to face the negative effects of population control.

Broadly viewed, one of these is that excessive haste blocks goals. It cannot be denied that population control in China is a control model guided by administrative coercion. This type of control in the beginning is based on the premise of countering the forces against control. It can be said that the stronger the coercion, the stronger the force against control and the stronger the counter resilience. Thus, the current decline in fertility in China is still not stable. Latent counter resilience cannot be ignored. From the beginning of population control to now, we have had many lessons on the ineffectiveness of excessive haste. In the final analysis, the lack of a true scientific understanding or failure to grasp the internal patterns of population dynamics was demonstrated in a hasty desire for rapid success.

Second is excessive attention to one aspect at the expense of another. Broadly viewed, as everyone has seen, a decline in the fertility rate is very closely associated with a dramatic aging of the population age structure. Because this aging of the population structure brings many unprecedented challenges, we must seek demographic solutions to ameliorate the extent of population aging. This is unquestionably related to family planning. At this time the new issue before us is how to modify reproduction policies for the turn of the century. The effect of excessive attention to one aspect at the expense of another is also demonstrated in the gender imbalance in births, counterelimination of population (partial), and tense relations between cadres and the masses.

Just as economic growth is not the same as economic development, population growth is not the same as population development. Population control is a necessary condition for fertility modernization and population modernization, but it is not the only condition. In consideration of the objective existence of the effect of excessive attention to one aspect at the expense of others in population control, we must be cautious about slipping into the predicament of "control without development" or "control not conducive to development." So-called control without development or not conducive to development refers to population control which has not brought about or has been detrimental to the healthy population and socioeconomic development which we expected. It should be said that population control has to a great degree furthered the healthy development of population, society, and the economy. However, "control without development or not conducive to development" does exist. It is just like a person who is dieting to lose weight. The dieter absolutely must control his intake of food and drink, but if the control is too severe, too extreme, and too strict, then the dieter may overemphasize the approach and miss the goal, damaging his health and perhaps even threatening his life. By the same reasoning, population control as a desire or a policy should not be opposed but given full support. Much study, however, still needs to be done to determine whether maxim of the stricter the better applies to population control. All reforms have some negative effects. Why should population control not have negative effects? It would not be a scientific approach to claim that there are none. Of course, studying the negative effects is not intended to "blacken" the current policies or "pick on" the implementing agencies. On the contrary, it is only with the attitude of seeking truth from facts that we can further discuss how to eliminate various negative effects and then rationally and effectively utilize "population control" to achieve the goal we expect—not only to limit the momentum for rapid population growth but actively to bring about the positive effects of population control.

There is a system of evaluation standards for population control. This is a reference system which encompasses multiple socioeconomic, cultural, and political aspects. As a framework for evaluation, cost-benefit analysis is a more commonly used method, but it appears that applying this method to the population control arena is very sensitive. In many people's minds, the concept of population control is a mandatory choice, so the results of population control should be or must be positive benefits. This type of thinking undoubtedly creates barriers to comprehensive and scientific analysis. Theoretically speaking, there should be three types of net gain from population control. These are positive gains, neutral gains, and negative gains. Therefore, when the historical evolution and regional differences in population control are considered, are there no differences in the gains (positive, neutral, negative)? Furthermore, population control is a huge social systems engineering project

which involves a multitude of aspects. In addition, the costs paid are always current whereas the benefits to be gained are anticipated. There is a great degree of uncertainty. Most of the benefits of population control are vague and indirect and can only be described on the basis of certain hypothetical conditions. For example, the theory of "two hundred million fewer births in 20 years" is built upon the hypothesis of sustaining the fertility rate of the early seventies with no change.

We have mentioned above the dangerous tendency of "control without development or not conducive to development." In the final analysis, we must be reminded to pay attention to overcoming or eliminating the negative effects of population control. Development here includes two levels of meaning. The first is balanced development within the population system. The second is harmonious, sustained development of the large social system. Thus there are the expressions "lesser development" and "greater development," but the two are, of course, very closely linked. From a demographic point of view, "control without development or not conducive to development" is not just a groundless rumor. For example, the practice of many years of "you have over-quota births, I fine you, everybody takes what they need and does what they have to do" is adequate proof of this. The "fines for overquota births" have even become a source of wealth for some units and individuals. We believe that the way to eliminate "control without development or not conducive to development" is to cease control for the sake of control and fewer births for the sake of fewer births and the short-term behavior of adhering to quotas as the only aim. In other words, what we urgently need is a strategic view and population control to be implemented within the framework of sustained development. That is, at the same time that we carry out the engineering of lowering the fertility rate, we must also consider not allowing excessive aging of the population or excessive imbalance in the gender ratio in births and not create serious threats to sustained socioeconomic development. "In other words, what we need is a broad population concept."

This essay has not yet raised the question of the strategic development of China's population. As explained above, population development and population growth are two concepts which are related but different. Therefore, population development strategy is not limited to population numbers. It is based on the varied nature of the national situation in China and the scope of "population development" itself. Thus, China's population development strategy into the next century should include the following five aspects: 1) control of population numbers; 2) raising the population quality; 3) adjusting the population structure (gender, age); 4) rational population distribution; and 5) development of population resources. These five aspects, however, are not simply a list. "Raising the population quality, adjusting the structure, rational distribution, and ample, effective, and rational development of population resources (the subject is manpower resources, the kernel of which is talent

resources) must all be carried out on the basis of control of the population numbers in order to provide a beneficial population environment for the realization of modernization in China. This is the underlying aim of the 'five-in-one' population development strategy." It can be seen from this that population development strategy is absolutely not simply population control and does not only relate to population growth but is a greater population strategy closely related to socioeconomic development to be carried out within the greater framework of sustained development. Without the guidance of this strategic direction, any operational level may commit a directional error in tactics and, within the multitude of interlocking difficult choices, finally fall into the predicament of "control without development or not conducive to development."

The discussion above, summed up briefly, is how to gain a new understanding of the basic nature of the "population problem" and how to define the basic issues in the field of vision of current and historical demography. Population problems are demonstrated in many complex ways. Thus, how can the category of the "population problem" ultimately be defined? Here we are raising a view to correct everyone—the so-called population problem refers to the imbalances, conflicts, and contradictions caused in the development of the economy, society, and the environment by changes in the numbers, quality, structure, and distribution in the population system as it operates. This is the fundamental reason for the establishment of the conclusion that "the basic nature of the population problem is a development problem." It must be pointed out that the "population problem" as a philosophical category is eternal. Classical historical philosophy has told us long ago that there are contradictions in this world and that there are contradictions among things and that development arises through contradictions. In this way, at a philosophical level, the dynamic nature of the population system is based on the contradiction between the population system and that which is not the population system. Balance between the population system and that which is not the population system is temporary, and there are frequent imbalances during actual development. Thus, viewed historically, resolution of population problems is always relative and the existence of these problems is absolute. It is just that the characteristics of the population problems which appear in different phases of socioeconomic and cultural development are different. Each era has its own mission. Each era has its own population problems to resolve (Footnote 3) (Mu Guangzong: "On Population Problems" Renkou Yanjiu, 1992 p 2)

Of course, population problems as concrete issues will be manifested differently under different time conditions. For example, China currently, and for a fairly long time in the near future, faces a major problem of overpopulation pressure. Therefore, the feeling about population growth is "if it's low it's good." But after not too many years, as population aging progresses, the problems of an aging population will become prominent and the feeling



of "if it's low it's terrible" will quickly spread. At the same time, the problem of overconcentration of population in developed areas and urbanized societies caused by the "workers' tide" will attract the broad concern of all aspects of society. The questions of how low quality population will adapt to the building of a socialist market economy and how to make the transition from a labor-intensive model to a capital-intensive model of production are also very challenging issues.

Viewed in this way, as history evolves, population problems are also changing and transforming. The cumulative and proliferating nature of the population problem itself has already propelled us into a time of "overflowing population problems." We are increasingly deeply aware that at the same time that the population problem develops, monolithic population control methods have clearly not met our expectations. This is the significance of the question of a new understanding of China's population problem and a new definition of the current and historical field of vision of demography.

Now a calm and accurate judgement is needed of our current historical period of population problems. Some scholars have subtly become aware that as society makes a transition, the population problem also makes a transition from being a problem dominated by total numbers to one of a comprehensive set of complications. China faces the challenge of finding a comprehensive solution to population problems under the condition of lower fertility. The era of population adjustment and comprehensive population solutions has arrived, and the curtain is gradually closing on the era of monolithic population control.

Of course, this absolutely does not mean that the historical mission of population control in China has been completed. There is still much work for us to do on the issue of how to decrease births. The basic nature of this issue is such that it is determined by the still undeveloped state of China's economy and quality of life, which is still not very high. Currently, however, we are beginning to face the problem of population control with low fertility rates (apart from old revolutionary areas and minority, border, or impoverished areas) which is the conflict explained above of "low fertility rate, high growth volume." Therefore, although the basic national policy cannot be allowed to waver, population control will be a long-term action, a heavy burden to carry down a long road, and specific strategies must adapt to the current situations and opportunities.

It must be observed that the low fertility rate currently occurring is still not stable. This is a very important conclusion. How can we solidify existing achievements? How can we further exploit the potential for even lower fertility rates? And how can we maintain the fertility decrease within reasonable limits in the expectation of reaching our goal of sustained development within the conditions of population control? These kinds of questions begin to arise one after the other and push their way onto our agenda.

One common understanding has been accepted by everyone. That is that creating a socioeconomic environment and modern fertility mechanism with a stable and decreasing fertility rate is the only choice. We know that the characteristic of the traditional fertility culture of "give birth to sons, give birth early, have many children" is extremely tenacious and deep-rooted. Cultural scholars long ago cautioned those who are concerned about China that the traditional culture with the family as the basic unit has a deep influence on Chinese fertility behavior. Sometimes it is difficult to form a complete answer from an economic point of view on why Chinese peasants are so deeply committed to fertility. When explaining fertility from the point of view of the fertility culture, recreating a fertility mechanism truly has a deep meaning. Theoretically, the turning point for the revolution in the fertility culture is the recreation of the living environment. The living environment illuminated by modern civilization treats the individual as the basic unit, and the living environment encompassed under traditional civilization treated the family as the basic unit. (Footnote 4) (Li Yinhe, Chen Junjie, "The Individual as Unit, the Family as Unit, and Fertility Concepts" *Shehuixue Yanjiu*, 1993 p 2)

We believe that the success or failure of population control will not be determined solely by whether the population control goals are met smoothly, but even more so by the extent and progress towards the modernization of fertility concepts. Taking a long-term view, internal factors will determine everything. The transformation of fertility aspirations, or the modernization of the fertility culture, is the most important internal factor in the successful creation of modern fertility mechanism. If we can broadly divide fertility cultures into three types—high fertility culture, lower fertility culture, and no fertility culture—then the so-called "modernization of the fertility culture" refers to the process of the gradual disappearance of high fertility culture and the gradual emergence of low fertility culture and no fertility culture as the mainstream fertility cultures, within the process of socioeconomic modernization. Examining the modernization of the fertility culture in terms of the historical background of the nineties, speaking only of population control methods, guidance-type propaganda and education and high-quality service work will play an increasingly important role. (Footnote 5) (Mu Guangzong: "The Southern Jiangsu Model in the Transition to Modernized Population," *Nongcun Jingji Yu Shehui*, 1993 p 2)

Demographers have all noticed that the decline in China's fertility rate during the eighties experienced many fluctuations. There was even a resurgence in the fertility rate during several years in the late eighties (if exaggerated statistics are considered; the actual statistics would be even worse than the ones currently before us). Why does the fertility rate exhibit fluctuations as it decreases to approach replacement levels? Is it because the potential for a decline has already been completely exploited (internal factor) or because the intensity of

controls has weakened (external factor)? People are unable to agree which is correct. Of course we could make a list of many factors, but this probably would not assist us in determining the true source among many linked concepts. We need to break away from minute factors and look at the broad framework to explain the characteristics of the changes in the fertility rate since the eighties.

As everyone knows, the mechanism for decline in China's fertility rate is based mainly on coercion. Coercion here primarily refers to relatively direct administrative control with the aim of completing or implementing family planning goals. This type of control is called coercion because it includes harsh restrictions on the control goals. This situation has determined an inevitable internal resistance to China's fertility rate. Considering that the decline in the fertility rates in most of rural China was accomplished through widespread restrictive conditions dominated by coercion, in theory the fertility rate in the majority of rural areas in China still has a relatively strong resistance. Just as mentioned above, the low fertility rates currently achieved are still quite unstable. Therefore, if the fertility rate exhibits fluctuations or resurgence during the nineties this should not be puzzling. World population history has shown clearly that when high fertility rates begin to drop, the decline is quite rapid, but when the fertility rates begin to approach replacement levels, it is very difficult to continue the decline and fluctuations appear. There is a pattern to this phenomenon. This phenomenon has also appeared in China. If a theoretical analysis is attempted, this could be seen as related to the function of the "rule of maximums" in population control. The so-called rule of maximums can generally be described as follows: The closer an extreme gets to the goal, the the greater the number of difficulties encountered, the less correlation between effort and achievement, and efforts tend to bring progressively fewer results. As the fertility rate in China approaches replacement levels, it is also approaching an extreme goal. Control achievements made against the backdrop of strong resistance tend to decrease progressively. The greater the effect the greater the recoil certainly will be. One fact has gradually been acknowledged by the people. This is that the effectiveness of population policies has weakened. There is not much hope for continued decline in fertility rates by relying solely on the effectiveness of government policy.

It is logical that the new problem we face is that of population control with a low fertility rate. The essence of the problem is whether a smooth transition can be made from a fertility decrease mechanism based on coercion to one based on self-awareness. In other words, it would be very difficult to continue using coercion alone to force a fertility decrease to the extent that the fertility rate could exhibit an unknown degree of resistance. As a general theoretical model, we have set forth a hypothesis on fertility rate decline based on control strength. This is the so-called "three divisions under heaven" hypothesis.

We believe that overall there are generally three types of control. These include the spontaneous control which arises from economic development and social change; guidance control led by family planning propaganda and superior service; and coercive control centered on planning restrictions and administrative controls. The first type implies that development is also a type of control. Increases in average incomes, improvements in the quality of life and changes in social roles all indirectly alter people's fertility aspirations and behavior. The second type refers to using a series of propaganda, education, and superior service measures conducive to family planning to create incentive mechanisms based on interests to cause people to accept family planning more consciously. The last type refers to a series of administrative control measures which guarantee the implementation of population planning. If we view the directly functioning coercive control as a "visible hand," then the indirectly functioning spontaneous control and guidance control are two "invisible hands." The distinction is that the former type directly regulates fertility behavior, whereas the latter two types indirectly guide fertility aspirations. The secret to any region which has successfully achieved population control goals is the ample activation of these three types of force. The coordinated use of all three types to create population control quite different from the run-of-the-mill approach. One area which has offered successful experience of this type is southern Jiangsu. Demographic circles have the expression the "southern Jiangsu model" to refer to modern population change.

As we enter the nineties, all localities are more mature in their experience with population control. Each successful population control model has its own characteristics, but the secret shared by all has become clearer. To control population effectively, all types of economic, cultural, and administrative methods must be fully brought to bear. So-called "comprehensive treatment" is actually the comprehensive utilization of the three forces described above. The goals of implementing modern population control cannot be reached without the role of coercion, but what is even more important is a profound influence upon the fertility aspirations of the child-bearing age group of people. The experience of southern Jiangsu and other areas has provided evidence that the control phase dominated by coercion is preliminary. To solidify and deepen the results of population control, the role of spontaneous control and guidance control must be continually strengthened, while coercion is maintained, to allow population control to enter a mature, sophisticated phase. In addition, as modern fertility mechanisms begin to emerge, fertility decline mechanisms make a transition from a coercion type to a spontaneous type. Perhaps it is only then that we will deeply accept the conclusions "development is a type of control" and "the best government is one with the fewest restrictions." The reason the so-called three-in-one path of "fewer births, faster wealth, more civilization" is successful is that the maturing of spontaneous and

guidance forces alter traditional fertility aspirations. From a microeconomic level this demonstrates the formation of a self-restraint mechanism on the family size.

There are two ways of understanding population growth. The first is by the growth of relative numbers. Everything can be understood in a glance at the changes in the "population growth rate." The second way is by the growth in absolute numbers. This can be reflected in the changes in the "total population numbers." At this time, the so-called "continued inflation of the Chinese population," accurately speaking, should refer to the inflation of the absolute numbers and not the relative numbers. But we cannot help but see that circumstances make this type of population inflation unavoidable because the huge existing population base numbers are an unalterable historical fact, a determined historical condition which we cannot but accept. The facts are that even if population growth rates are maintained at a relatively low level, due to the huge base population figures, particularly the large numbers of people who will enter the marriage and child-bearing years during the nineties, the net annual increase in population is very large, estimated at around 14 million. But from the point of view of numbers control, due to the impact of the third peak in births, population work during the early nineties has been extremely difficult.

From the point of view of control of population figures, there are clearly two points which we must pay attention to.

The first is the problem of rural population control. Particularly in the "former revolutionary, minority, border, and impoverished areas," population control duties are still very difficult and strenuous. Indeed, rural population control has always been the emphasis and central focus of population control in China. The new topic, however, faced by all levels of local government in the nineties is how to more effectively control the population under the conditions of a market economy. In certain ways, the family planning mission in the nineties in China is even more difficult. One objective aspect is the huge population base numbers and shocking potential fertility. Additionally, during the social transition, many socioeconomic variables drifting within and outside the market have a counterattack effect on family planning. Subjectively, family planning troops may have relaxed a bit, with the leadership busy working on the economy and neglecting family planning work somewhat. This has made an impact on the strength and effectiveness of population control. Therefore, although China has entered a market economy society, it is still not a mature one. The overall development of the rural economy still has a long ways to go before the fertility rate will decline spontaneously. It is no wonder that scholars want to issue warnings. At the moment, the market economy has given us more challenges than good tidings. We need to be cautious about a resurgence in fertility and emphasize the transformation of the fertility decline mechanism in order to prevent the possible resistance of the fertility rate.

Second is the issue of redistribution of the population. This primarily refers to redistribution of the working population between urban and rural areas and among different regions. With the backdrop of reform and opening, China's population problem has overflowed. This is related to the historically unprecedented movement of population. Due to the effects of population movement, the population problem has silently been transformed. The problem of "overurbanization" has figured prominently in the nineties due to the rise of the "worker tide." The cities are becoming ever more crowded, the air and the environment are polluted, hygiene conditions are deteriorating, housing is scarce, employment is difficult to find, slum areas are appearing in the cities (especially at the edges of cities), and a gangster problem which cannot be ignored has appeared in the inner cities, among other problems. The many types of "urban illness" actually reflect the quality problems associated with urbanization. With this historical background of promoting urbanization in China, should we now consider "the quality of urbanization?" How should we choose between extent and quality of urbanization? How should the population be rationally distributed between urban and rural areas and among different regions? These issues all await sincere exploration by the academic community.

In addition, the hidden dangers of low-quality population have evolved into a series of alarming social evils such as prostitution, thievery, murder and mugging, trafficking in kidnapped people, etc. Low-quality population damages the economic order and social stability and even threatens gains already achieved by reform. If the low quality population, without any organizational affiliation or professional ambition, become mobilized, they will form a significant detrimental force which could not be ignored. Actually, a large hoodlum class has already been formed. The issue of population quality needs to be reexamined at a higher level, within a broader background context. We want to raise this warning for a flourishing society: All of the dreams of modernization could vanish like bubbles in a low-quality population. The historical mission for the turn of the century is to educate the people, to make them a united, strong people with self-discipline and self-respect and respect and appreciation for work.

As change deepens, the population problem needs to be constantly reevaluated. The breadth and depth of China's population problem must be reexamined in connection with the new socioeconomic background and systems environment. As the socialist market economy is built up and perfected, China's population problem needs comprehensive treatment more than during any other period in the past. A "greater population concept" must be created in order to solve China's population problem.

First, the control of the population numbers and quality must be combined. Population quality control must be considered as much as possible while population numbers are being controlled. This means that at the same



time that birth rates are controlled, the quality of newborns must also be strictly guaranteed. The birth of inferior fetuses must be checked. A set of measures on optimal birth and death must be implemented for newborns to raise the fertility quality of the entire people.

Secondly, population control (blocking the flow) and manpower development (developing sources) must be combined. Population is the locus of a type of natural consumption force. Indeed, we do not need a greater consumption force than that of 1.2 billion people. At the same time, however, the existing population must somehow enter our scope of consideration. Although the population control problem and the development of manpower resources appear to be closely related over a long process, we have also discovered that, fixed at one particular historical moment, these two issues are very different in nature and thus require different policies. Comparatively speaking, manpower development is more intensely practical but demographers are far more concerned about population control. The population is actually a unique resource, a "resource" that can develop other resources. From the point of view of resources, population resources, manpower resources, and talent resources form a pyramidal structure of relationships. The prominent aspect of the development and use of population resources is the development and use of manpower resources (especially the development and use of talent resources). The question of how to optimize the deployment of manpower resources under the conditions of a market economy is an issue of concern. This includes, for example, how labor migrates and how to achieve in that mobility optimal deployment with other production elements. If research is done at the macro-economic level, then it must involve labor migration, the quality, structure, and amounts of labor, as well as the age, gender, etc., of the working population. Therefore, it is not a purely demographic, economic, or sociological topic, but a comprehensive one which involves many academic disciplines.

This essay mainly includes framework concepts and primarily raises questions in anticipation of in-depth discussion by everyone. Our intent here is to lay out preliminary ideas to inspire more enlightened comments, as an effort to inspire work on a new understanding of China's population problem under new historical conditions.

#### **Income Disparities To Damage Social Stability**

*HK1602063595 Beijing ZHONGGUO XINWEN SHE in English 1448 GMT 15 Feb 95*

[FBIS Transcribed Text] Beijing, February 15 (CNS)—According to a sample survey conducted recently, 84 percent of people thought that regional differences in economic development will impair social stability in China.

The investigation was intended for cadre students from the Central Party School who responded with three kinds

of answers to the question "What will be the worst possible consequence if there is too much difference between regions in China?". The answers were: unreasonable social distribution; social stability endangered, and even division of the country.

Hu Angang, a famous expert on China's social conditions, had been recently conducting an intensive study on regional differences. Many of the statistics found from the research have astonished people. Mr Hu said that the largest disparity between municipalities was as high as seven to eight times. For example, Shanghai's gross domestic product (GDP) was 7.4 times that of Guizhou in 1991, and increased to 8.4 times in 1992. The municipalities of Beijing and Tianjin are also in the same league as Shanghai, while the GDP of China's richest province, Guangdong is three times that of Guizhou, the poorest province in the country.

Moreover, there is disparity not only between provinces but also within individual provinces in China. Differences between Zhuhai city, the richest region in Guangdong Province and Heping County, the poorest region in the province is as high as 34 times, while differences within Guizhou are 13 times. If a comparison is made between Zhuhai city and Qinglong, the poorest region in Guizhou, the GDP of the former is 86 times of that in Qinglong.

Differences in economic development between regions will severely impair China's economic development and social stability, said Mr. Hu. There were regional disparities of 7.8 times in Yugoslavia before the country was disintegrated. The situation now in China should arouse people's attention. It is time for this question to be put forward for discussion in this year's "Ninth Five-Year Plan".

#### **Gallup Poll Surveys Possessions Owned, Desired**

*HK1602113895 Hong Kong AFP in English 1056 GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, Feb 16 (AFP)—Colour televisions remain the most coveted possession of Chinese citizens, most of whom have ambitions to "work hard and get rich," according to an unprecedented nationwide Gallup survey.

Behind colour TVs—now owned by 40 percent of Chinese people and wanted by 32 percent more—on the shopping list came washing machines, which can be found in 36 percent of homes and are dreamed about in another 21 percent, the survey, conducted from May to September 1994, found.

The findings were at odds with many surveys conducted by Chinese organisations that have concluded that citizens have now moved on from items like televisions to focus on purchasing cars, computers and even their own home.

The discrepancy no doubt arises from the Chinese tendency to focus on booming coastal cities while neglecting the habits of residents of the vast interior.

The U.S. market research giant, whose findings were released this week, instead sent people out "on foot, on horseback and even on camel from Shenzhen to the Gobi desert" to quiz one adult from 3,400 randomly selected households [as received], said Beijing-based employee Mike Van Buskirk.

The survey is "very, very accurate"—with a margin of error of 1.7 percent—thanks to sophisticated sampling methods introduced by Gallup at 23 field stations nationwide, he said.

The most widely owned product among Chinese citizens is—unsurprisingly—the bicycle (81 percent), followed by an electric fan (63 percent), radio (58 percent), black-and-white TV (54 percent) and tape recorder (48 percent).

Some 45 percent of those sampled said they were satisfied with their homes, while 44 percent were not, the survey found, putting the average Chinese residence at 260 square metres (2,800 square feet) with four rooms.

Of the households surveyed, 95 percent had electricity, 47 percent running water, 26 percent gas, 24 percent cable television and nine percent a telephone. The proportions rise to 99 percent, 88 percent, 65 percent, 48 percent and 30 percent in urban areas.

"Sixty eight percent (of Chinese) want to work hard and get rich," a summary of the survey said, but added that the figure fell to just 35 percent in Beijing where, it noted, "they are more often government employees."

The survey indicated that foreign and domestic firms had a lot to do to win the loyalty of Chinese customers, with only 14 percent—mostly residents of Guangzhou and Shanghai—able to name an advertised product or company unaided.

Japanese companies came to mind most frequently, with Panasonic topping the list, it found, adding that some individuals mentioned U.S. firms such as Coca-Cola, Marlboro and—more surprisingly—Head and Shoulders dandruff shampoo.

The survey is aimed at helping "multinationals gain some real insight into the hearts and minds of Chinese consumers" and to show what Gallup—which officially launched its China joint venture in January 1994—can do on a nationwide scale, said Van Buskirk.

He said the reaction of Chinese interviewees had been "very very positive."

"Obviously we're limited to covering market research, we don't do politics. But if you're not talking politics, then Chinese people are very open and friendly about

their ideas," he said, comparing them favourably with westerners who have become fed up with being asked questions.

### CASS Announces Major Reconstruction

OW1602085995 Beijing XINHUA in English 0753  
GMT 16 Feb 95

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—The Chinese Academy of Social Sciences (CASS) announced here today that it will focus on certain branches of learning while canceling dozens of subjects.

According to a draft plan published at its ongoing annual working conference, fields that will receive preferential support include the following:

The theory of building socialism with Chinese characteristics; socialism and Marxism abroad; the socialist market economy and ethics; management of the press; religion in contemporary China; socialist political economy; investment and the market; the rural economy; foreign trade; population and development; issues of ethnic groups; criminal law; international law; social welfare; government administration; the modern and ancient Chinese language; history of the Soviet Union; relations between the countries of the Asia-Pacific region; politics and economics in the Asia-Pacific region; and forecasts of international political and economic situations.

Subjects to be canceled, restricted or merged include:

Rural sociology; enterprise management; accounting; auditing; handling of goods and materials; the tourism industry; agriculture and land; industrial technology; comparative politics; comparative law science; Tibetan buddhism; history of the media; studies of Lu Xun; literature in Taiwan and Hong Kong; modern literature; eastern European literature; comparative literature; and overall Chinese history.

CASS's Institute of Journalism will be re-built into the Institute of Journalism and Mass Communications, the working conference revealed. Meanwhile, the South Africa Research Center will be set up to replace the Section of African Studies under the Institute of World Economics and Political Studies.

The field work of a few archaeological teams attached to the academy has been suspended.

"A new-look CASS is necessary to meet the needs of the ongoing modernization drive," said Wang Renzhi, deputy president of the academy.

Some experts said the measures will also save money.

The readjustment will result in the shrinking of the number of branches of learning from 300 to 260, and of research departments from 210 to 180, according to the draft plan.

The work is expected to be completed in three to five years, Wang noted.

Because CASS is the top academic center for liberal and social sciences and an important think tank, the experts predicted that there will be strong reactions from institutes and universities nationwide following the readjustments.

Set up in 1977, CASS now has more than 4,000 staff members, of whom half are researchers.

### To Streamline Programs

*HK1602063095 Beijing CHINA DAILY in English 16 Feb 95 p 1*

[By Gao Anming: "Top Research Body Revamps Goals"]

[FBIS Transcribed Text] The Chinese Academy of Social Sciences (CASS), the country's top research body of humanities and economics, plans to cut about 40 subjects from its areas of study.

CASS unveiled the draft changes to its academic programme at its annual conference yesterday in Beijing.

If approved, the major plan will readjust research subjects throughout the academy's 31 institutes.

It is designed to cut 40 subjects from the current 300, while attaching greater importance to about 130 leading study areas.

The heads of the academy's institutes are discussing the programme at the three-day conference. They're expected to revise and then ratify the draft at the end of the conference.

If endorsed, the programme is to be carried out in the next three to five years, said Wang Renzhi, vice-president of the academy.

Wang stressed to conference participants that CASS will concentrate its resources on the needs of the 130 key subjects.

Up to three leading researchers will be fostered for each of the courses.

Meanwhile, the academy would slash those programmes that have failed to yield substantial findings recently, lacked researchers, or become obsolete.

In 1994, CASS had 31 institutes and one research centre, and 210 academic divisions.

Another important job for the academy this year is to draft a plan for the period 1996 to 2000.

The plan will have to be in line with the readjustment programme.

CASS bureaucrats will also work out a feasible research evaluation system this year to strengthen competition among its scholars, and to encourage young talents, Wang said.

The annual budget of the academy was 120 million yuan (\$14.2 million) last year, and it received 36 million yuan (\$4.1 million) from the central government for infrastructure improvements.

The vice-president said he expects the central government will approve the reduction plan the academy worked out last year.

According to the outline, CASS will reduce administration, library and periodical editorial staff by 7, 3 and 2 percentage points respectively.

Researchers, however, would be increased by 240 people, from 2,060 at the end of 1993 to 2,300 (or from 60 per cent in the general staff to more than 70 per cent).

The academy would fortify studies on such courses as theories on building socialism, finance, banking, social securities, economic laws and intellectual property rights protection. These, he said, are urgently needed because of the country's reforms.

It would remove or merge 30 research divisions.

For example, its previous study of all East European countries would change to one that focus on Romania, Yugoslavia, Ukraine and Russia.

### New Rules for Air Transport of Dangerous Goods

*HK1502134095 Beijing ZHONGGUO XINWEN SHE in English 0830 GMT 15 Feb 95*

[FBIS Transcribed Text] Beijing, February 15 (CNS)—The State Administration for Industry and Commerce, the Civil Aviation Administration of China, the State Planning Commission and the Ministry of Foreign Trade and Economic Cooperation have recently jointly promulgated regulations governing packaging of dangerous goods for air transport. The regulations will come into effect in coming May.

China registers an annual import and export of air cargo reaching some 600,000 tonnes, ranking 12th place in terms of air transport volume in the world market. There is quite a lot of air cargo considered dangerous goods undertaken by China's civil aviation sector. Inspection on the packaging of dangerous articles for air transport has, however, not yet been made a usual practice in China. As there is no uniform packing of domestically made goods, the civil aviation sector cannot but adopt special measures or employ foreign standard packaging which is used by imported items for air transport. Some dangerous articles urgently needed for export have to employ another means of transport other than airlift. In some cases improper practices are employed including deceptive declaration or false information given by individual business entities or consignors on their dangerous



export items for air transport, causing potential danger to aircraft, workers and venue in which the articles are handled.

The new regulations clearly stated duty for industrial and commercial administrative department and cargo department of the civil aviation sector in dealing with export of dangerous goods. They stipulated that special inspection practices had to be used by the administrative department to examine the packing of import and export dangerous articles which are involved in airlift. The regulations also cover administration of the packaging of dangerous goods by production entities as well as requirements for transport department in the civil aviation sector in handling dangerous goods.

Implementation of the regulations represents strict inspection and effective management by China's civil aviation sector in line with international standard in handling dangerous goods to ensure safety of airlift.

#### **National Survey Focuses on Female Journalists**

*OW1602085795 Beijing XINHUA in English 0632 GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—A national survey of women journalists is under way in China as part of the activities in the runup to the Fourth World Conference on Women, to be held here this September.

Conducted by the All-China Journalists Association and the Chinese Academy of Social Sciences, the sample survey has selected 3,534 female journalists, editors, translators, proofreaders, radio announcers and television presenters from 420 media institutions all over the country.

The fields under investigation include family life, career, personal development and professional problems. The survey will also question 1,500 male journalists in order to make comparisons.

The results will be submitted to the United Nations Educational, Scientific and Cultural Organization and will be discussed at the upcoming conference.

#### **Propaganda Section Adds Resources for Rural Areas**

*HK1602064195 Beijing CHINA DAILY in English 16 Feb 95 p 2*

[By Chen Chunmei: "Culture To Improve Life in Remote Areas"]

[FBIS Transcribed Text] Remote rural areas will get more cultural aid to help them out of poverty, a senior Party official says.

The government will help farmers set up libraries, build satellite TV receiving stations and widen their cultural

horizons, said Xu Weicheng, vice-director of the Propaganda Department of the Party Central Committee and director-general of the Cultural Aid Committee (CAC).

China still has 80 million people living below the official poverty line of 320 yuan (\$38) per year. Most of them are in the central and western parts of the country.

The lack of cultural resources is the largest barrier to the countryside's economic and social development, Xu said at a news conference on Tuesday.

Cultural aid is aimed at enriching rural people's knowledge and raising their aspirations, he said.

The CAC, which has set up 20,000 small libraries in 20,000 villages, or 2.5 per cent of the total, will organize farmers to read practical books and apply what they learn in their work.

The committee has allocated 600,000 yuan (\$71,000) to reward outstanding organizers.

The CAC also plans to set up 72 TV transmitters this year in poor, remote, border and minority areas, bringing the total number to 100.

The 100 transmitters are expected to reach more than 10 million people.

Last year 28 such relay stations were built in the Taihang Mountains in North China and the Dabieshan Mountains in Central China.

The CAC will also send troupes of artists to rural areas. About 1,000 performances are on the agenda.

And 20 million children in poor rural areas are to be paired up with urban dwellers, in an effort to promote exchanges.

One million such pairs have established regular contact through letters.

Through the activity, rural children gain access to the world beyond their villages while urban children learn that poverty still exists, Xu said.

#### **Commentator Urges Continuing Arduous Struggle**

*HK1602061695 Beijing RENMIN RIBAO in Chinese 14 Feb 95 p 1*

[Commentator's article: "The Spirit of Arduous Struggle Will Exist in China Forever"]

[FBIS Translated Text] Today, we recommend to our readers Li Guoan, an "iron man" regimental commander of the People's Liberation Army. In order to bring benefit to the people in the border area, he worked with great and indomitable willpower to overcome difficulties, which are unimaginable to common people, filled the gaps in hydrogeological prospecting in the northern border area of the motherland, and made superb contributions to the solution of the difficulty in finding drinking water for the troops and the civilian

people in the border area. His spirit of arduous struggle is worth being recommended to and emulated by all people.

Arduous struggle is our party's fine tradition. Today, after more than 10 years of reform and opening, the material and cultural living conditions of our people have been greatly improved. Is it still necessary to struggle arduously? Is the tradition of arduous struggle out of date? If we continue to advocate the spirit of arduous struggle, will we be divorced from the masses? Some people, especially some young people, have raised these questions.

The material and cultural living conditions of our people have indeed greatly improved and have become much much better than in the years of the revolutionary wars and in the 1950's and 60's. However, we should also note that, as compared with some developed countries in the world, a substantial gap still exists, and a considerable number of people in our country still cannot obtain sufficient food and clothing. Reform, opening, and developing the socialist market economy are not easy tasks; we will encounter various new problems and will have to overcome many new difficulties. In such circumstances, if we do not continue to advocate arduous struggle, we will not be able to succeed in accomplishing the unprecedented great cause; moreover, the public conduct in our country may be corrupted and hedonistic practices may spread among the people. In this world, not a single community or individual can succeed without undergoing arduous struggle. Therefore, the spirit of arduous struggle is not out-of-date, and it should be strongly advocated.

The spirit of arduous struggle crystallizes the noble character of the communists in serving the people wholeheartedly and represents our party's fundamental aim. It is particularly of great importance for leading cadres and Communist Party members to maintain the spirit of arduous struggle. Li Guoan is precisely a good cadre of this type. He always considers how to seek benefit for the people. When the troops and the civilian people in the border area could not find drinking water, he did not sleep well and had no appetite and braved untold hardships and made unremitting efforts to solve the difficult problem. Therefore, he won the masses' esteem and support. Practice shows that a cadre's prestige among the masses is primarily based on his spirit of arduous struggle. This is also the main criterion for judging whether a cadre is faithfully working for the benefit of the country and the people and whether he maintains close ties with the masses or is divorced from the masses. The opinion that those who advocate arduous struggle will not be popular with the masses is in fact an unpopular opinion.

The spirit of arduous struggle is also valuable because it is linked with the spirit of seeking no gain and being willing to make dedications. However, some people regard those who are willing to work hard and struggle

arduously as "fools." This is an even more incorrect viewpoint. Li Guoan was born in an area of rivers and lakes south to the Chang Jiang and grew up in a prosperous city. After becoming a well-known model throughout the Army, he won great honor and fame. In such circumstances, he still continue to perform the heavy duties assigned to him by the party and the people without regard to his poor health. In the eyes of some people, he is certainly a "fool." However, in our eyes, Li Guoan is not a "fool" but a real communist worthy of the name and is a good example for other people. His behavior embodies the indomitable perseverance in pursuing the cause of serving the people and making selfless contributions to the people. This is the splendid outlook on the world, on life, and the values cherished by the communist.

Arduous struggle is always a great spiritual force of the Chinese nation to stand up among the nations of the world. The spirit of arduous struggle will exist in China forever.

#### Journal Urges Increased Concern for Masses

OW1602064695 Beijing BEIJING REVIEW in English  
No 6-7, 6-19 Feb 95 p 4

[By Ke Dao; from the "Notes From the Editors" column: "A Surging Tide of Warmth"]

[FBIS Transcribed Text] With New Year's Day 1995 still fresh in our memories and Spring Festival just around the corner on January 31, central and local Party and government leaders have walked out of their offices to visit enterprises, villages and households to show concern and express their sympathy with the common people plagued with financial and material difficulties.

Over the past month, Premier Li Peng, Vice-Premier Zhu Rongji and a number of other state leaders have visited some loss-making enterprises and the homes of employees to discuss measures which would allow them to escape their current predicament. Between now and the end of January, the Warmth Project sponsored by the All-China Federation of Trade Unions will present some 4 million yuan in relief funds to low-income workers and staff.

More than 1,000 county officials in Liaoyang City, Liaoning Province, have forged a nominal kinship with 1,000-plus impoverished local households. The officials have not only generously assisted the households with funding, but have also helped them implement projects designed to eliminate poverty.

Immediately after, visiting the homes of farmers in Youyang County, Sichuan Governor Xiao Yang set his sights on a 20-million-yuan labor service project to help local farmers. Accumulated profits from the project will be used as a fund to support the poor.

China's economic pattern has experienced tremendous changes over the past 16 years of reform. The pattern has

been analogous to a huge army which was previously dysfunctional, with some troops proceeding at double-time while others plodded along behind under a unified command. But now the situation has changed, those prone to double-time movements are allowed to quicken their pace even more and forge ahead, all the while striving to be the first to arrive at the predetermined destination. The overall marching cadence of the army is accelerated, and those unable to keep pace eventually fall by the wayside. Nonetheless, the massive army has not collapsed in disorder, and while those at the head of the pack have become the advance force, follow-up units have not been forgotten. The operation in its entirety and the continuity between the advance force and follow-up units, as well as the unique humanistic sentiment of the Chinese people, are precisely the fundamental driving force for the country's huge army advancing steadily along the socialist road.

Serving the people wholeheartedly is the fundamental purpose of the Communist Party of China and the people's government. Speaking in terms of micro-significance, serving the people means properly handling concrete affairs in a down-to-earth manner and doing good deeds for the people. On the other hand, speaking in terms of macro-significance, serving the people means creating a macro-political, economic and social environment in which they can live and work in peace and happiness and have the opportunity to increase family wealth. These are the main reasons the Party and government enjoy the backing and support of the people, even though the former have traversed a tortuous course while leading the people in their advance. Conversely, experiences and lessons have enabled the ruling Party to gain an acute awareness of the need to resolutely adhere to the principle of serving the people.

In the course of assisting their "less fortunate kinfolk", leading cadres in Liaoyang City discovered that the object of the warmth they provide is not simply individual households, but instead the broad masses of local residents. The concern they show for individual households has led them to adopt economic, medical-care and educational policies in favor of villages and poverty-stricken areas.

In the process of helping the poor, some cadres have engaged in profound self-examination of the fact that the houses in which they live are getting bigger and the cars they use are becoming evermore luxurious, factors which have created the tendency for their increasing divorce-ment from the masses.

While "love" and "administration of the state" are terms which seem to be poles apart, linking the two harmoniously together represents the political ideals of an untold number of sages and men of virtue, both Chinese and foreign, as well as ancient and contemporary, including Confucius from the East and Bertrand Russell from the West. The nationwide effort to convey warmth has once again brought this ideal to reality in a down-to-earth manner.

Based on their keen awareness of the immediate significance of helping those in financial and material difficulties, Chinese leaders have issued a call for institutionalizing and perpetuating such activities which are of significance in relation to reform, development and stability.

### Military & Public Security

#### Beijing Reportedly Approves 25 Percent Rise in Defense

HK1602054695 Hong Kong EASTERN EXPRESS in English 16 Feb 95 p 1

[By Bruce Gilley]

[FBIS Transcribed Text] China will boost its defence spending by about 25 per cent this year in an apparent bid by the Communist Party General Secretary, Jiang Zemin, to shore up his influence with the military.

It will be the largest increase in military outlay since 1979, when Deng Xiaoping pledged to cut the size of the army and devote more resources to the economy.

Attempts by finance officials to moderate the massive spending rise, which was approved early last month, were foiled by aggressive army lobbying, a possible sign of growing military influence with the imminent death of the supreme patriarch, Deng.

The increase is expected to be used to boost the salaries of soldiers and officers and offset expected inflation of 15 per cent. Arms purchases by China are mainly funded outside of the defence budget.

Mainland military analysts said the defence budget, to be announced at next month's National People's Congress, would be about 65 billion renminbi (HK\$60bn [Hong Kong dollars]), compared with Rmb 52bn last year.

They believe that last year's 22 per cent inflation rate, more than double the official target, pushed military spending over budget. Wage increases of between 40 and 50 per cent, plus an increase in food subsidies costing Rmb1.1bn a year, contributed.

Analysts believe military spending was almost 5 per cent over budget last year.

The Ministry of Finance which set "moderate retrenchment" as the overall fiscal stance of the central government this year, tried to hold the line on big budget increases but was unsuccessful with defence, mainland military sources said.

When the defence budget bargaining began last autumn, staff departments of the People's Liberation Army and military regions demanded huge budget increases from the army's general logistics department, which submits budget requests to the government.



They argued that the increases were needed to offset expected high inflation and to continue a programme of raising soldier and officer wages, which began last year. Sources said Jiang, who heads the party's Central Military Commission, overruled Finance Ministry objections and passed the requested budget with little amendment.

Sources noted that little was said about the loss of revenues from a ban on PLA-run enterprises begun in late 1993—a hot topic during the 1994 budget talks—which appeared to show that the crackdown had been quietly put aside.

An unprecedented 22 per cent increase in the defence budget last year prompted calls from worried Asian neighbours for greater information on China's military spending. China's official defence budget amounted to about 1.6 per cent of its gross domestic product (GDP) last year, compared with 5.5 per cent for the United States.

However, the official budget does not take into account direct subsidies to the defence sector, revenues from arms sales and PLA business activities, or the costs of the paramilitary People's Armed Police.

Companies directly controlled by the PLA and the Ministry of Defence produced goods and services worth an estimated Rmb42bn last year.

London's International Institute for Strategic Studies felt that the military budget last year was closer to Rmb100bn or 3.3 per cent of GDP.

China's recent US\$1bn (HK\$7.8bn) purchase of attack submarines from Russia highlighted the PLA's moves to modernise its antiquated equipment. Money for such purchases is believed to come mainly from off-budget sources of revenue, especially hard currency earned by arms sales and other defence industry exports.

Growing fears of a "China threat" have encouraged a US-led policy of frequent contacts with top brass of the PLA in order to probe the purposes of the budget bonanzas.

A high-level delegation, led by the former US defence secretary Robert McNamara, which met PLA leaders last year, concluded that weapons buying was not the main reason for the growing budgets.

#### Article Views Top Officers Pending Retirement

HK1602070395 Hong Kong CHENG MING in Chinese No 207, 1 Jan 95 pp 18-19

["Mainland Hotline" column by Yueh Shan (1471 1472): "58 Generals To Retire"]

[FBIS Translated Text] Since early October [1994], the CPC Central Military Commission [CMC] has accepted retirement applications from 58 generals and lieutenant generals on active service, including Zhu Dunfa, Zhao Nanqi, Zhang Lianzhong, Yang Dezhong, Yu Yongbo,

Li Wenqing, Li Jiulong, Shi Yuxiao, Wang Ke, Liu Jingsong, Cao Shuangming, and Xing Yongning. The CMC has instructed that these applicants should retire in batches and in stages to ensure the smooth transfer of work.

#### Cao Shuangming's Retirement Connected To Frequent Occurrence of Accidents in the Air Force

Air Force Commander Cao Shuangming was given permission to retire on 24 October. Initially, he had tendered his resignation, but later this was rearranged as retirement. Currently, he holds the position of advisor to the Air Force Strategic and Tactical Studies Office. Cao Shuangming's resignation is connected to the frequent incidence of accidents in the Air Force and problems in the management of the Air Force in recent years, especially in the past year. According to knowledgeable sources in Air Force headquarters, since the beginning of this year [1994], the Air Force has been hit by two extremely serious accidents, seven class one accidents, and 11 class two accidents, which made 1994 the worst year since 1982 in terms of the number and seriousness of accidents.

Ding Wenchang, political commissar and party committee secretary of the Air Force, tendered his resignation for health reasons, but he has been urged to stay.

#### Yang Dezhong Stays Deputy Secretary of the Security Bureau Party Group After Retirement

General Yang Dezhong, director of the central security bureau and deputy secretary of its party group retired on 26 November, but was subsequently engaged as an advisor to the central security bureau and stayed as deputy secretary of the bureau's party group. Jiang Zemin attended Yang Dezhong's retirement party and presented him with a silk banner which praised Yang Dezhong as "a loyal cadre and defender of the party and the people." Zhang Zhen Remains as Advisor After Retirement [subhead]

An enlarged CMC meeting was held in Zhongnanhai on 24 and 25 November. The meeting was chaired by Jiang Zemin, Liu Huaqing, and Zhang Zhen. Persons in charge of the CMC and all of the armed services, military regions, and military academies and schools directly under the CMC attended the meeting. Li Peng, Zhu Rongji, Hu Jintao, Ding Guangen, Wu Bangguo, Jiang Chunyun, Zou Jiahua, Wei Jianxing, and Wen Jiabao also attended the meeting. Wan Li, Bo Yibo, Zhang Aiping, Hong Xuezhi, Qin Jiwei, Li Desheng, Yang Chengwu, and Yu Qiuli were present as nonvoting delegates.

The meeting accepted CMC Vice Chairman Zhang Zhen's request to retire next year [1995] and decided to retain him as an advisor to the CMC.

#### Leading Work Group for Retired Military Cadres Founded

CMC Chairman Jiang Zemin announced at the meeting that a leading work group for retired military cadres will

be established, with Liu Huaqing as head of the group, Hu Jintao as first deputy head, Chi Haotian as deputy head, and Zhang Zhen and Hong Xuezhong as advisors. The group members include: Zhang Wannian, Wang Ruilin, Li Jijun, Ding Henggao, Li Laizhu, Zeng Qinghong, and Luo Gan. This work group is under the direct leadership of the CPC Central Committee and the CMC.

#### Retirement Age Set for High-Ranking Officers

The meeting adopted a CMC proposal that the retirement age for CMC members should be set at 70 years, a maximum of 72 years, and that no retirement age should be set for the CMC chairman and vice chairmen, and each CMC member should be allowed to run for a maximum two terms of office, while no limit should be set on the number of terms for CMC chairman and vice chairmen.

The retirement age for persons in charge of all the general departments and all the armed services will be 65. If required by work, and with the recommendation of the CMC and the approval of the CPC Central Committee, this limit may be extended to 68.

The retirement age for persons in charge of military regions, the Beijing Garrison, and military academies and schools directly under the CMC shall be 65. If required by work, and with the recommendation of the CMC and the approval of the CPC Central Committee, this age limit may be extended to 66.

The retirement age for persons in charge of provincial military districts, group armies, other garrisons, and regional military academies and schools shall be 60. If required by work, recommended by the party committees of the military regions or armed services concerned, approved by the CMC, and reported to the CPC Central Committee, this age limit can be extended to 62.

Execution of these stipulations on the retirement of military cadres shall be suspended if the CPC Central Committee and the State Council declares a state of emergency or during periods of foreign aggression.

#### Liu Huaqing Says Political and Ideological Work in the Army Has Been Neglected

Liu Huaqing and Zhang Aiping delivered speeches at the meeting. Liu Huaqing said: At present, high-ranking and medium-ranking military cadres must combat corruption and degeneration, fight antiorganizational and undisciplined behavior, and scrutinize themselves against the iron discipline and organizational principles of the party. At the moment, there are a number of issues that must be emphasized and deserve close attention from the whole Army. These problems are: Political and ideological work in the Army has been neglected, party building work in the Army has not materialized, anarchic phenomena and discipline violations among high and medium-ranking officers have increased significantly, and, still worse, party organizations in the Army have failed to play the role of pillars.

#### Zhang Aiping Says Army Is Not Allowed To Arrogantly Claim Credit For What They Have Done

Zhang Aiping said in his speech: In the new historical period, the party's absolute leadership over the Army must be upheld at all times and under all circumstances, and the Army must submit to and follow the party's absolute leadership at all times and under all circumstances unconditionally. What is fundamental and most important now is that you must obey orders in all your actions. Flaunting seniority and claiming credit is absolutely forbidden to occur and spread in the Army. How to rectify, build, and manage the Army by using Deng Xiaoping's thinking and theory on army building in the new era is a challenging task and test facing the whole Army.

#### 'Newsletter' Views Exemplary Naval Officers

OW1502011695 Beijing XINHUA Domestic Service in Chinese 0514 GMT 14 Feb 95

["Newsletter" by XINHUA reporter Huang Caihong (7806 1752 5725) and XINHUA correspondent He Yu (0149 1342): "Guards on the Blue Territory"]

[FBIS Translated Excerpt] Guangzhou, 14 Feb (XINHUA)—When people of the motherland were celebrating their Spring Festival, officers and men of a destroyer squadron under the Navy's South China Sea Fleet were patrolling the South China Sea on their battleships.

This strong contingent on the sea was commended several times by the Central Military Commission. On two occasions, President Jiang Zemin inspected the troops in person. In recent years, they were commended by the PLA General Departments as an advanced unit of standardized management of the whole army and rated by the Navy as an advanced division party committee as well as an advanced collective of military training and the drive of learning from Lei Feng. [passage omitted]

When the captain of No. 165 battleship led his troops to station at the Dalian Shipbuilding Plant to take over China's first self-designed modernized guided missile destroyer, on the control tower of the ship they saw rows of computers controlled by Roman-alphabet keyboards. Surprisingly, Captain Wu Jianguo and his troops succeeded in turning it into a ship with combat effectiveness in a short period of one year, making it a big jump of historic significance during the course of the modernization drive. Radar soldier Yang Jun, who is only equipped with a junior-high-school educational level, knew that as a first-generation crew member of a new-type battleship, he could not safeguard the motherland without mastering the equipment he was supposed to control. He took as his teacher a female engineer who came to test radar. The female engineer had to leave the ship for some reasons and left him with a book on radar. A month later, she returned to the ship. Holding the book, Yang Jun told his teacher: "I have read this book three times.

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I have about 100 questions here. Could you kindly help me with these problems?" Taking over the book, she saw that the margins of the pages were full of marks of various kinds. She said excitedly: "I have never seen anyone who is more diligent than you, not even a single student attending the school now. You may ask me any questions. Even if I have to work three days and nights without rest, I will make sure that you understand everything!" With such a diligent spirit, Yang Jun is now a famous radar expert.

Huang Yongsheng, a university graduate, is a gunnery officer. In the spring of 1993, his two brothers died one after another. His constantly ill father became bed-ridden and passed on to him debts of more than 20,000 yuan. Plagued by a heavy burden of house chores and debts, his wife decided to divorce him after less than a year of marriage. At that time, the squadron was launching a great campaign on discussing 100 life problems. Thanks to the guide of revolutionary teachers and the revelation of life experiences of heroic models, Huang Yongsheng knew exactly what to do. He concentrated on the study and development of new equipment and technology. One year later, his teaching notebook for handling auxiliary cannons, which is 80,000-characters long, was promoted as authoritative teaching material for auxiliary cannons on ships of the same type. [passage omitted]

It is exactly this noble sense of mission that fosters a generation of excellent sailors in the destroyer squadron. Captain Kuai Chongshan of the Zhuhai Guided Missile Destroyer has been to the South Pacific twice and to the Nansha Islands five times. He personally raised the first five-star red flag on the Yongshujiao of the Nansha Islands. For many times, he sailed through turbulent seas without showing any fears because he was confident. The fact is evident in his 10 diaries, which are filled with more than 400,000 Chinese characters.

On holidays, Li Chuangzheng, a gun trainer on the Zhaotong Battleship, often went to the home of a battleship builder who lived more than 10 km off the military port. Li Chuangzheng finished a 200,000-character book entitled "A Practical Teaching Guide for Using the Commanding Equipment of Auxiliary Guns." He presented it to the leader of his ship. After approval tests conducted by relevant departments, the book proved to be of highly practical value. The troops were amazed because a reticent soldier had created a miracle. [passage omitted]

#### **Minister Says 'Legitimate Rights' of Prisoners Safeguarded**

OW1502130895 Beijing XINHUA in English 1253  
GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Prisoners' legitimate rights are being safeguarded in China as the country is watching its prison

management and prison staff in meting out penalties and rehabilitating criminals, a top justice official said today.

The judiciary will "act in strict accordance with the Prison Law just promulgated and make an effort to protect the rights of inmates," said Xiao Yang, the minister of justice, at the ongoing national work conference on prisons.

China's prison guards and law-enforcement forces, "have shown respectable devotion to their work in the face of hardships and even danger, and are worth being trusted," Xiao said.

Some 178 police have been killed in the line of duty, and 1,015 wounded over the past 13 years, according to the latest figures from the ministry.

Xiao admitted that some corrupt practices exist inside jails, but that they "have been repeatedly fought against, and all jailers who were breaking the law or were dishonest were punished, once the act was discovered," he said, adding that China is working hard at enhancing the proficiency of prison staff in fulfilling their duties.

According to statistics, since 1981, 1.3 million prison guards have attended various professional training courses, with some 55.67 percent of the staff having received higher education, and Xiao said, the warders are to treat inmates without abuse, discrimination, or humiliation, and their basic rights to living, hygiene, medical care, education, and work are to be guaranteed.

The compulsory cultural and technical education and psychological evaluation that Chinese prisons offer are intended for the self-improvement of convicts to allow them to be self-reliant in society after they are released, and "should be viewed as the best way of guaranteeing their human rights," Xiao said.

Statistics show that more than 210,000 middle school or high school graduation certificates and 230,000 technical ratings were awarded to prisoners in 1994. Some 157 psychological evaluation centers were set up in the country's 685 prisons.

The law also allows for inmates to have their sentences reduced for better behavior. Some may have days outside the jail as a form of probation, and some can be transferred outside for medical reasons, so that in 1994, 280,000 prisoners, 22 percent of the total, had their prison terms reduced or were given days off outside jails.

The minister said that the country's first prison law published at the end of last year gave more comprehensive, systematic, specific, and detailed stipulations for protecting the rights of prisoners.

Of the 78 clauses in the law, more than 20 are concerned with the rights of prisoners. The guaranteeing of prisoners' right to be free from humiliation, and the rights of safety, property, defence, appeal, and redress of grievances are stated as the main principles of the law,



something, as Xiao pointed out, may be rarely seen in the legislation in some other countries.

The law also indicated nine forbidden activities for prison guards and the corresponding punishment, as a protection of prisoners' rights.

Through China's efforts to follow the letter of the prison law and modernize prisons, human rights of prisoners will still better be protected, the minister said.

#### **\*Hubei PLA Chief Views Roles of Military Districts**

95CM0113A Beijing GUOFANG [NATIONAL DEFENSE] in Chinese No 12, 15 Dec 94 p 4

[Article by Liu Guoyu (0491 0948 5940): "The Provincial Military District System Must Actively Assist Localities in Properly Handling Social Stability Work, Study Deng Xiaoping's Thinking on National Defense"]

[FBIA Translated Text] Maintaining social stability is a complex systems engineering problem. In conducting this type of work, it is necessary to give full play to all the forces of society at one's disposal. As the provincial military district system engages in this work, five key conditions must be grasped:

First, it is necessary to establish a network for reporting on the situation in society. In assisting localities to properly handle the maintenance of public stability, the provincial military districts must thoroughly grasp developments occurring in society. If they do not know at when, where, or what is happening, they will also become like the deaf and the blind, and will inevitably make mistakes. At the opportune moment, they should accurately grasp circumstances and the social background, and the provincial military districts must form a system in conjunction with the provincial public security offices, state security offices, and locally quartered military organizations, educational institutions, and troops. They should establish a system for reporting on the social situation and exchanging information, for clearing intelligence channels, and for expanding the scope for grasping the situation; each unit must take the initiative in maintaining relations with the local government, public security, and People's Armed Police [PAP] units, and pay close attention to social developments. It is necessary to use existing peoples' militia organizations and reserve duty troops to establish a social situation liaison center, liaison groups, and liaison posts, etc., assign liaison personnel, and establish a reporting system, to form a top down reporting and notification network.

Second, it is necessary to formulate various types of contingency plans. This is a key link in ensuring the rapid reaction of the peoples' militia and reserve duty forces. Regardless of whether or not they are located in a key area where social order is comparatively chaotic, the peoples' armed forces of each military region and county (city, district) must all integrate their own real situations

and the characteristics of the area under their jurisdiction, and pay close attention to drafting, examining, correcting, and perfecting plans for assisting localities in maintaining social stability, and plans for coping with suddenly occurring events. It is also necessary, in accordance with the missions that it could potentially shoulder, to revise and perfect advance operational and security plans for command, movement, communications, and safeguarding important targets. When drafting and perfecting various types of contingency plans, it is necessary to carefully plan based on complex situations, to anticipate various emergency measures, to organize a personnel familiarization plan, to implement various safeguard measures, and to conduct the necessary exercises for existing conditions in accordance with the plan, so that in a very short period at the required time it will be possible to master implementation according to the plan.

Third, it is necessary to properly handle the establishment of contingency forces. Peoples' militia contingency elements must strengthen their own development in accordance with the "three implementations" [organizational, political, and military] and "be ready to assemble at the first call" standards. We must integrate peoples' militia training with properly grasping the "four unities," and conduct a one-time organizational adjustment, replenish personnel, and bring the organizational readiness rate to over 80 percent. We must also conduct a one-time political examination and organize around principles and methods involving item by item examination to discern the real from the fake, and progressively become familiar with operational preplans by studying PLA regulations and mastering how to cope with situations that arise. In addition, we must conduct combat readiness exercises, and increase reaction speeds and organizational ability to handle various emergency missions. Finally, we must actively consult with relevant local departments, determine the required equipment and material for peoples' militia contingency elements when they are shouldering missions, work hard to improve command and communication conditions and methods, have contingency vehicles, properly handle safeguarding, and really turn the people's militia contingency elements into the "fists" of the people's militia forces working in our province to maintain social stability. We must ensure that for any situations that are encountered it will be possible to dispatch forces, gain the initiative, and have an effect.

Fourth, it is necessary aptly handle peacetime maintenance of public security work aptly. The people's militia assist localities in maintaining social stability, and frequent and large missions also involve maintaining the public security and normal order of their own units and their local region. For this reason, each unit must continue to organize the peoples' militia in factory, mine, store, village, and road protection in order to protect the normal production and livelihood of the masses; each unit must actively participate in local public security joint defense and attack all types of economic and

criminal activity; and hard working peoples' militia units shouldering the mission of defending railroads and other important targets must enhance their sense of responsibility, and really protect important targets well. When organizing peoples' militia assistance to localities in maintaining public security it is necessary to note that peoples' militia organizations are not law enforcement departments, and do not have the legal authority of public security and judicial departments, hence they cannot independently conduct arrests, detentions, and interrogations, and cannot supersede the functions of public security departments. Therefore, when it comes to judicial matters that arise during the conduct of missions or criminal cases, it is necessary to handle these along with public security and judicial departments and not make decisions without authorization.

Five, it is necessary to take the initiative in allocating public security department and PAP forces to handle suddenly occurring events. Provincial military regions, and provincial

subdistricts must prepare for organizing peoples' militia contingency elements to properly handle allocating public security and PAP forces to handle suddenly occurring events. First, it is necessary to establish sound command organs. All levels must establish contingency command posts or command groups, and command personnel must make things clear to people and not leave gaps. Second, we must strengthen liaison between the militia, PAP, and military; especially important are sound liaison organizations and implementing enhanced leadership on political principles, political orientation, and major policy decisions for the peoples' militia and reserve duty troops in maintaining social stability, in order to ensure that the guns always heed the Party's command. Leadership at all levels must frequently analyze the situation, pay close attention to developments in society, and in a timely manner discover problems, take measures early on, and do work involving the maintenance of social stability in a down-to-earth and practical manner.

### General

#### State Councillor Song Jian Tours Fujian 6-11 Feb *HK1502144595 Fuzhou Fujian People's Radio Network in Mandarin 2300 GMT 11 Feb 95*

[FBIS Translated Text] Song Jian—state councillor, minister of the State Science and Technology Commission, and chairman of the Environmental Protection Committee under the State Council—inspected work in Fujian 6-11 February, and aired his important views on such issues as making full use of Fujian's strong points, opening up wider to the outside world, strengthening exchanges between Fujian and Taiwan, accelerating development of high- and new-technology industries, and attaching importance to environmental protection.

While inspecting Xiamen, he was very happy with the zone's rapid development and great changes. He affirmed the leading role of the high- and new-technology development zone in the special zone's economic development, and issued instructions after hearing the report by the city government on the zone's development, science and technology exchanges with Taiwan, and the construction of three-science projects.

During his stay in Fuzhou, Song Jian made a special trip to inspect the Fujian Agricultural University. He pointed out: The party Central Committee and the State Council have always attached great importance to agriculture. Our country has a large population, and agriculture is the foundation for the existence and development of the nation. Developing agriculture by relying on science and technology is a central theme of the scientific community. The central authorities place high hopes on researchers in agricultural science. He encouraged the university's scientific and technological personnel to work hard and score new achievements.

During his inspection tour, the scenes of economic prosperity in various localities, and the marked changes in urban and rural construction, left a deep impression on Song Jian. He maintained: Fujian's development has been achieved thanks to an open environment. Upholding reform and opening up to the outside world, and placing opening up in a prominent place is of crucial importance in carrying out development by relying on science and technology—and on new- and high-technology industries, in particular—and in achieving this century's strategic development goal.

Song Jian was quite concerned about exchanges with Taiwan. He stressed: Fujian and Taiwan are separated by a sea, and it has geographical superiority. Fujian should do the work toward Taiwan more willingly and creatively, and do a good job in cross-strait exchanges. The scientific community in Fujian should take greater steps in conducting exchanges with Taiwan. To open the three exchanges [of mail, air, and shipping services and trade], and to expand cross-strait exchanges, first of all, it is necessary to start with science and technology, as well

as with education, and to create more opportunities to conduct academic and research exchanges with Taiwan.

On developing high-tech industries, Song Jian pointed out: This is the way for Fujian to achieve the level of a developed country. Vigorous efforts should be made to develop petrochemical, fine chemical, pharmaceutical, biological engineering, and other high-tech industries. Active support should be given to the development of high technologies that have a ready market and appropriate scale, be it by foreign-funded, state-owned, or people-run enterprises. Efforts should be made to foster and develop a number of enterprises making extensive use of science and technology, and to upgrade Fujian's economy to a new height.

In Xiamen, Song Jian specially inspected the Yuandang Hu pollution control project, and expressed his satisfaction with the results achieved so far. He hoped that the Xiamen Special Economic Zone will take the lead in environmental protection, and will leave an oasis for our coming generations. He was very concerned about Fujian's environmental protection work. He pointed out: It is necessary to further perfect the laws concerning protection of water resources, and to abide by these laws. Small chemical industrial plants, small paper mills, and small tanneries that are seriously polluting the environment and are unable to control what they have done to the environment should be firmly closed down, and violators should be punished according to the law. We should not be soft in this regard.

#### Nuclear Power Industry Enters New Stage

*HK1502145695 Beijing ZHONGGUO XINWEN SHE  
in English 1256 GMT 15 Feb 95*

[FBIS Transcribed Text] Beijing, February 15 (CNS)—China's nuclear power industry went through trials with a successful refueling for normal operation in the Qinshan Nuclear Power Station on the eve of the Spring Festival. Some 12.43 billion kilowatts per hour of electricity was produced by the Daya Bay Nuclear Power Station last year. The nuclear industry has entered a new stage for further development.

The Qinshan nuclear power station, which was the first of its kind designed and constructed by China, has been operating in a normal way during the past three years. A reactor of prototype installed in the power station reached the international standard set for commercial power station when taking into consideration a heavy load on it during the operation. The station received high praise at home and abroad. Recently it was awarded with a special prize for its excellent project design. The station had its reactor stopped operation for the first time in mid-October last year for the refueling process as well as an overhaul. It resumed normal operation before the Spring Festival, representing the mastery by China of a complete set of nuclear power technique including design, construction, safety operation and raffling. [sentence as received]



Two generating units installed in the Daya Bay Nuclear Power Station went into operation last February and May respectively. The No. 1 unit showed good performance and the power station was chosen by an American power journal as the best nuclear power station last year.

According to the National Environmental Protection Agency and an institution for environmental monitoring, no radioactive material which may come from the Station has been discovered in the nuclear power station zone and nearby area. The discharge of nuclear waste is far lower than a stated standard, showing operation of the power station reaching the international advanced level.

Major progress was also made in nuclear fuel technology. The Yibin nuclear fuel component plant in Sichuan Province set up a production line last year for fuel component for a power station of a capacity of 900,000 kilowatts. It also produces an entire set of component required for the refueling process for the No. 2 generating unit of the Daya Bay Nuclear Power Station, marking an initial success in domestic production of fuel component for a pressurized water reactor nuclear power station. China employs advanced technique to produce uranium and the output grew while the production cost cut by more than 30 percent.

#### **Plans for Building Nuclear Power Plants Outlined**

*HK1502130495 Hong Kong LIEN HO PAO in Chinese  
15 Feb 95 p 22*

[Unattributed report: "Coastal Provinces Plan To Build Number of Nuclear Power Plants; South Korea Takes Lead in Signing Agreement, Attracting Attention of Europe, United States"]

[FBIS Translated Text] As disclosed by the China National Nuclear Corporation [CNNC], with the successful completion of the Qinshan nuclear power station in Zhejiang Province and the Daya Bay nuclear power station in Guangdong Province, the authorities are working out plans to build a number of nuclear power plants in the coastal provinces, which are short of energy, in a bid to promote economic development and to satisfy the requirements of the people's lives. Recently, some well-known large corporations from France, the United States, Japan, Canada, the ROK, and Russia have been striving to enter the nuclear power market in mainland China. The ROK is the swiftest in the race, and has reached a cooperation agreement with China to jointly build 30 to 40 nuclear power plants in the coastal region, most of which will be equipped with 1-million-kw class light-water reactors. Countries famous for their exports of nuclear power equipment—including the UK, France, and others—have followed this event with interest.

Although the power industry in mainland China has developed very rapidly over the past few years, it is still far from meeting the demands of the rapid economic growth. According to statistics, the total installed

capacity in mainland China at present is 195 million kw, and with increased demand calculated at an average rate of 11.5 percent a year, it is anticipated that the capacity should increase to at least 300 million kw by the year 2000, so as to make up for the power shortage. At present, the principle for building electric power facilities on the mainland is to develop hydraulic and thermal power plants simultaneously, while appropriately developing nuclear energy. Although the nuclear power plants in Qinshan and Daya Bay have been built and put into production, their total installed capacity is only 2.1 million kw, which only accounts for approximately 1 percent of the country's total, and therefore it holds a very small proportion in the country. For this reason, the authorities are planning to suitably increase the construction of more nuclear power plants in some coastal provinces that have limited coal deposits and water resources. Efforts will be made to increase total installed capacity of nuclear power plants to 20 million kw at the beginning of the next century.

At present, many southeastern coastal provinces are making positive preparations for the construction of nuclear power plants. For instance, after the two generating units, with an installed capacity of 900,000 kw each, went safely into operation at the Daya Bay nuclear power station, the Guangdong authorities began to plan the building of a second nuclear station in Lingao, north of Daya Bay. In the meantime, they also plan to build a third station at Yangjiang, so as to bring the total number of nuclear power stations to five in the early years of the next century. At that time, the installed capacity of nuclear power stations throughout Guangdong will reach approximately 10 million kw. At present, the U.S. Westinghouse Corp, Japan's Mitsubishi, France's Alsthom [a er si tong 7093 1422 2448 6639], and other companies have expressed interest in participating in the investment in Guangdong's construction of nuclear power stations. It has been reported that the French Alsthom Company recently signed a contract to provide \$1.3 billion worth of nuclear power facilities and \$548 million worth of steam turbogenerating units to the second nuclear power station in Daya Bay.

In order to keep abreast of the fast-paced economic development in the eastern region, the East China Power Transmission Network Company has planned to build two nuclear power stations with an installed capacity of 1 million kw each before the end of this century. The network of this company covers three provinces and one municipality—Jiangsu, Zhejiang, Anhui, and Shanghai—being one of the mainland regions where the economy has grown most rapidly. It has been learned that on the basis of completing the first-phase project with an installed capacity of 300,000 kw, Zhejiang's Qinshan nuclear power station has begun its second-phase construction of two generating units, with a capacity of 600,000 kw each. As reported, the Canadian Government will provide loans and some generator equipment for this power station. In addition, the construction of two nuclear power stations—with an

installed capacity of 1 million kw each—in Sanmenwan, Zhejiang Province and Lianyungang, Jiangsu Province, has been scheduled for this century. This project has aroused great interest on the part some large companies from the United States, Canada, and other countries.

In Wentuozhi, north of Dalian, Liaoning Province, a nuclear power station with a capacity of 1 million kw is under construction. The equipment of this station will be furnished by Russia's Leningrad Metal Company. A short time ago, Russia's St. Petersburg Atomic Energy Design Company signed a contract with CNNC for the design of the station, which is expected to be completed and put to use in the year 2002.

Jiangxi Province also has made plans to build a nuclear power station in Maozidingshan, near Jiujiang City. According to the plan, it will build four generating units with a capacity of 900,000 kw each in different stages, and the first unit is expected to be completed and put on stream in the year 2002. In addition, Hainan Province also is conducting a feasibility study on building its first nuclear power plant, with a capacity of 300,000 kw.

Last fall, the ROK Government reached an agreement with China's relevant authorities, under which it will provide China with the equipment for two nuclear power stations having a capacity of 1 million kw each at a total value of \$4 billion. The two sides soon will send personnel to Shandong and Fujian for prospecting and site selection. In early February this year, China and the ROK agreed to expand their cooperation to jointly manufacture and install equipment for 30 to 40 nuclear power plants. Should this plan of cooperation succeed, the two countries will further design and produce special models of nuclear reactors for sales to other countries.

### **Coal Ministry Hails Payment Policy, Debt Reduction**

HK1602064695 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0927 GMT 5 Feb 95

[FBIS Translated Text] Beijing, 5 Feb (ZHONGGUO TONGXUN SHE)—The Ministry of Coal Industry's "three-no" policy—no money, no coal; no check, no coal; no repayment of debt, no coal—began on a trial basis in November 1994, and by the end of December, the total debt owned to the coal trade had already been reduced by 1.11 billion yuan.

Reports have indicated that, in recent years, because clients failed to pay coal debts and to abide by contracts, the coal industry has faced major difficulties, and by the end of October 1994, clients owed key state coal mines nearly 30 billion yuan. The funds of coal enterprises were seriously tied up.

Today, primarily four major industries owe trade industry debts: The metallurgy, fuel, power, and chemical industries. For example, steel enterprises have outstanding payments, and among the 42 steel enterprises in the country, 28 have coal debts, which amount to 5.267 billion yuan.

In light of this situation, Vice Premier Zou Jiahua recently gave an instruction: In principle, pay when you buy; if you cannot pay, you cannot buy; or, put simply, no payment, no delivery.

The Ministry of Coal Industry demanded that coal enterprises resolutely implement the system of economic contracts on the purchase and sale of coal, including long-term contracts and the method to calculate commercial drafts, so as to strengthen the effort to retrieve money, that they seriously implement the People's Bank of China's circular on practicing the method of calculating commercial drafts among coal, power, metallurgical, chemical, and railway industries and that they try hard to settle new debts and collect old debts as soon as possible, so as to alleviate the tense situation of fund shortages in the coal mines.

### **'XINHUA Letterbox' on State Assets Management Goals**

OW1602020195 Beijing XINHUA Domestic Service in Chinese 2102 GMT 14 Feb 95

["XINHUA letterbox" by reporter Zhang Jinsheng (1728 6930 0524): What Are the Contents and Reform Objectives of the Management of State Assets in China?"]

[FBIS Translated Text] Beijing, 15 Feb (XINHUA)—The basic contents of the management of state assets include, first of all, control over the input of state assets. The input of state assets refers to the economic activity of putting state assets outside the process of social reproduction into the process. It is the starting point of the production and operation of state assets, of which the management includes: 1. The identification of input entities; 2. the determination of investment scale and input direction; and 3. the supervision, regulation, and control over the input process.

Second, control over the management of stock state assets. Stock management refers to the economic activities, involving working state assets, that are mainly conducted to increase the value of state assets, after the input of state assets is turned into productive forces. The principal, specific contents of these activities include: 1. The selection of operating method; 2. the evaluation of operating performance; 3. the restriction on property rights, mainly the restriction on ownership, in the course of operation; and 4. management for preserving the value of state assets.

Another important content of the management of state assets is control over the distribution of the yield on state assets; that is, the identification of entities controlling, occupying, and using the yield on state assets. This is, in essence, an act to handle the economic and interest relationship among the state, enterprises, and individual workers and staff. Specific ways of handling this include: Rationally determining the distribution ratio of the yield on state assets for the state and enterprises; making sure

that the income subject to the command of the state is fully turned over to the state; and supervising the use of profits retained by enterprises.

In addition, the management of state assets also includes the definition and appraisal of state assets; the administration of state assets rights registration; and the statistical, accounting, and other work concerning state assets.

The objectives of China's reform of the state assets management system have been set: Establishing a basic mechanism for the management of state assets that is well-organized and clearly delineates rights and responsibilities; establishing a scientific and operable indicator system for evaluating and assessing the efficiency of state assets management; establishing a market system for the transfer of property rights, which conforms to the requirement of a market economy; and establishing a standard and authoritative system for state assets-related legislation and law-enforcement.

#### **Provinces, Municipalities Practice Minimum Wage System**

HK1502133795 Beijing ZHONGGUO XINWEN SHE  
in English 0830 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (CNS)—At present, there are 16 provinces and municipalities practicing a minimum wage system. Among these, six started to practice the system before 1995, including Beijing, Shanghai, Zhejiang, Fujian, Shandong and Guangdong; ten started to practice this year including Tianjin, Shanxi, Liaoning, Jilin, Anhui, Hainan, Guizhou, Yunnan, Shaanxi and Xinjiang.

The minimum wage levels are varying in different places because of differences in their economic development. The highest is about RMB [Renminbi] 320 in some parts of Guangdong, following by RMB 280 in some parts of Hainan and Fujian and the lowest is RMB 120 in some parts of Shanxi.

As there are differences in their economic development, Beijing, Tianjin, Shanghai and some provinces have a unified minimum wage level. Most of the provinces have two to five minimum wage levels according to local situation.

The applicable range of minimum wage system is the same as that of the Law of Labour. In some regions, the system is applicable to various types of enterprises, private enterprises, government organs, institutions and social organizations, while in some regions, it is not applicable to township enterprises, private enterprises, government organs and institutions for the time being.

#### **\*State Council Researcher Urges Continuing Reform**

95CE0258A Chongqing GAIGE [REFORM] in Chinese  
No 6, 20 Nov 94 pp 5-10

[Article by Wu Jinglian (0709 2417 8834): "Evaluation of Reform Achievements in 1994 and Ideas About the Focus of Reform in 1995"]

[FBIS Translated Text] Editor's Note: From 23 to 26 August, the National Economic Relations and Trade Committee, the Research Topic Team for the Design of China's Economic System Reform, and the Research Topic Team for Design of Comprehensive Analysis and Reform of China's Taxation and Public Finance System jointly held an international symposium, the subject of which was: "The Next Step in China's Economic System Reform." This meeting aimed at advancing modern microeconomic theory to a new level. Chinese and foreign economists attending the meeting discussed the following topics: The three basic components of a modern corporate organization, namely a governing body (for assigning control authority), a capital structure (the ratio between indebtedness and share capital), and a motivation structure (a mechanism and means for providing supervision and managing rewards and punishments); personnel control problems in enterprises; financial relationship between enterprises and banks; transfer payment plans between the central and local governments; and the focus of reform in 1995. Following the meeting, both Chinese and foreign expert delegates expressed their views briefly to Chinese government leaders concerned. It is expected these will receive serious attention.

Numerous papers were presented to this meeting; the substance of them is presented below for the benefit of the readership. [end editor's note]

The relative success of reform in China during the past more than a 10 years stems from the prompt shift in the focus of reform to rural villages and to opening to the outside world after reform of the state-owned sector ran into difficulties. Right up to the present, the country's achievements in reform continue to be related to this emphasis to a considerable extent.

By adopting this tactic, we solved a difficulty in reform that other socialist countries have been unable to solve, namely how to ensure effective operation of the national economy while turning the leading component of the existing economy into a mainstay of the economy—the state-owned sector. We found a new avenue based on China's circumstances: Do not become preoccupied with delegation of authority in the state-owned economy, but maintain its operation while putting main efforts into the nonstate owned sector to find new growth points. This ensures a point of support for the entire reform process, both economic and political. Thus, for the past 15 years, China's national economy has maintained rapid growth, with exports increasing rapidly. By relying on rapidly growing economic strength, we fairly quickly surmounted various factors of instability, thereby turning reform into an irreversible tide.

However, this tactic is not without its drawbacks. In particular, dragging out of this "war on the periphery" gives rise to numerous thorny problems. The economic system is a machine that allocates resources. Right now, this machine is being divided in two: The old part is still



operating and does most of the work; the new machine, although partially built, is not complete. Unless this situation is changed at once, the new economic mechanism will not be able to function as a system, thus it will be impossible to increase the efficiency of the whole economy. This will produce numerous detrimental factors adversely affecting economic development and social stability. They will be manifested in economic overheating and the constant existence of inflationary pressures, which will break out from time to time. The simultaneous existence of the dual system means that a very strong institutional basis exists for rent collections and the growth of corruption. The income gap between different areas, sectors, and social groups tends to widen, and the difficulties of the state-owned sector increase steadily.

Therefore, in the spirit of the 14th Party Congress and "Decisions on Building a Socialist Market Economy System," which was passed by the Third Plenary Session of the 14th Central Committee, and guided by a policy of "moving ahead overall, highlighting key points," beginning in early 1994, we adopted a series of major reform measures in the key sectors or fields of taxation, finance and banking, foreign exchange control, the enterprise system, and the social security system, scoring anticipated breakthroughs. Thus, we laid a solid foundation for initial building of the basic framework for a socialist market economy by the end of the present century. As of now, although progress has not been identical on each of the above reforms, they have played a fine role in stabilizing the economy and advancing development. During the first half of the year, gross output value increased 22.6 percent; industry had an added value of 15.8 percent (5.3 percent of which was for state-owned industry), and the national economy maintained rapid development momentum.

#### **I. Actual Results and Evaluation of Reform Measures Inaugurated in 1994**

Of all the many reform measures inaugurated during the first half of 1994, it was in taxation system reform and foreign exchange system reform that the greatest strides were made. Reforms moved along fairly smoothly and even exceeded anticipated results. These two reforms had long been discussed, but no decisions had been made because of various apprehensions about the outcome. Before inauguration of the reforms at the end of 1993, it was also these two reforms that sparked worries about possible problems. Nevertheless, actual results since inauguration of these reforms suggest that results will be fairly good. Despite some small defects, and the need for further efforts and improvements in some regards, generally speaking, advances of historical significance have been made. The specifics are provided below:

**First, taxation system reform moved ahead smoothly attaining prescribed goals.**

Currently, the overall framework for the new taxation system has pretty much taken shape, and budgets at

every level have been drawn up as reform of the apportionment of revenues from different kinds of taxes provides. The new system is operating normally, and has begun to have a positive effect on the country's fiscal situation. During 1994, the country's fiscal revenues continued to grow rapidly, with fiscal revenues for the whole country for the first half of the year reaching 197.9 billion yuan, up 22.6 percent from the same period in 1993. This included an 11.5 percent increase in central government fiscal revenues, and a 39 percent increase in local government fiscal revenues. Fiscal expenditures nationwide were 197.3 billion yuan, a 27 percent growth. Fiscal revenues balanced expenditures, holding even.

**Second, the first step in foreign exchange control system reform: Convertibility of current accounts achieved in other than foreign-owned concerns**

The focus of further reform is on elimination of the dual exchange rate system, instituting a settlement system and a system for the sale of exchange between enterprises and banks, and founding interbank foreign exchange trading markets. Events during the first half of the year suggest that the new foreign exchange control system is operating normally. Exchange rates have remained mostly steady, rising but slightly; the country's foreign exchange reserves have increased; interbank foreign exchange market trading has been brisk, the trend of development of exports and imports is good, and direct foreign business investment has increased. During the first half of the year, foreign firms invested an actual \$14.2 billion, \$4 billion more than during the same period in 1993.

Simultaneous with reform of the foreign exchange control system, new advances were also made in reform of the foreign trade control system. The special features of foreign trade control system reform are as follows: First was giving foreign trade enterprises their own business decision-making authority and developing externally oriented enterprise blocs as a modern enterprise system requires. Second was gradual institution of a open bidding and auction quota system simultaneous with a very great reduction in import-export quotas. Between January and July, the gross value of the country's imports and exports increased 25.4 percent over the same period in 1993.

Nevertheless, while major breakthroughs were scored in these two reforms, the other three reforms lagged relatively:

#### **1. Relatively sluggish finance and banking system reform; no major breakthroughs scored**

Since implementation of 16 measures aimed at enhancing macroeconomic regulation and control in June 1993, the banks have done much work. For example, the Chinese People's Bank restored to the head office authority for putting basic money into and out of circulation and regulating the scale of credit, abolishing the profit retention system of People's Bank branches

and subbranches below the provincial level. The banks also severed the direct connection between the fiscal deficit and central bank basic money with the treasury no longer writing overdrafts on the central bank. Problems with revenues falling short of expenditures are now solved through the issuance of national bonds. Banks doing business for policy reasons were also established, etc. However, the most basic tasks were not addressed.

A) A "central bank law" has yet to be inaugurated; the organizational structure of the People's Bank has not yet been fundamentally readjusted, and establishment of a monetary policy committee system is awaited. Consequently, the central bank's direct means of control such as independent deficit guarantees, and credit limitation still play a dominant role. The use of indirect means of regulation and control, such as open market operations and commercial paper discounting, await exploration.

B) The main reason anticipated achievements have not been scored in finance and banking reform is the slow progress that has been made in commercialization of specialized banks and their operation as business concerns. Despite some work done since the beginning of 1994 in improving centralized uniform management within the system, increase of internal controls, and promotion of control over the ratio of assets to liabilities in the specialized banks, inasmuch as loan interest rates for the first half of the year remained negative, the specialized banks had no choice but to use administrative means to control credit as administratively directed. In addition, the corrupt behavior of bank personnel was also difficult to halt.

C) Although three banks have been substantially established to do policy-related business, there is still no clear-cut definition of the scope of financing for policy purposes, and the trend is toward expansion of the scope. Even more important, the original goal in setting up banks to do policy-related business was to enable the specialized banks to get out of policy-related financing. If the change of the specialized banks into commercial banks does not succeed, the significance of the newly founded policy-related banks will also not be realized, or a situation may occur in which three new policy-related banks are added to the existing four. Consequently, not only will there be no reduction in the number of policy-related financing channels, but they will increase. The number of loans made for policy reasons will not only not be brought under control, but may continue to inflate.

**2. Reform of the enterprise system is in the stage of organizing forces and studying plans; no consensus has been reached on important theoretical and policy questions.**

At the outside of reform, enterprise reform was the main emphasis, but the direction of enterprise reform was never clarified, and it was supposed for a time that so long as "enterprises" (meaning personnel in enterprises, particularly managers) had decision-making authority,

they would work zealously. Zealous enterprises would strive to improve business, thereby bringing a rise in production efficiency. Guided by this misconception, "delegation of authority and granting concessions" became a fixed policy. It was not until the Third Plenary Session of the 11th Party Central Committee that major successes were scored on this problem: The focus of enterprise reform was shifted to enterprise system innovation, and it was also pointed out that, for large and medium-sized state-owned enterprises, system innovation meant establishment of a modern corporate system.

However, because of the lack of theoretical and organizational preparation, to date little progress has been made in the founding of a modern enterprise (modern corporate) system in state-owned large and medium-sized enterprises. This reform is still in the stage of organizing forces and studying plans. Slowness in action at the top has led to some places spontaneously experimenting with "bringing in capital for transformation" (bringing in domestic and foreign capital for the reorganization of enterprises). These experiences have not yet been summarized for study. The country has nearly 10,000 pilot-project corporate system enterprises, but in a substantial number of them the equity rights of shareholders and the corporate equity rights of corporations have not been clearly defined. Corporation governing bodies have not been set up either. They remain under the direction of the pre-existing administrative agencies in charge, which appoint their managers directly and exercise control. Foreign scholars attending this symposium noted that the "internal personnel control" phenomenon is universal. Therefore, despite reform in name, the "father-son relationship" between government and enterprises is the same as it has always been. Enterprise financial budget restrictions are even softer. Reform of state-owned industrial concerns accounting for 40 percent of industrial production value added nationwide is in this state. This is extremely detrimental to the stability and development of the economy.

**3. Not much action on establishment of a social security system; urgent need to organize forces to tackle the task.**

Establishment of a social security system is closely related to both enterprise reform and founding of capital markets. Building a new social security system can allow enterprises to get rid of matters that have nothing to do with their main business. Ideas about the kind of social security system to establish have always been rather muddled. The Third Plenary Session of the 14th CPC Central Committee decided to establish a multilevel social security system in view of the country's circumstances. It called for a separation of management and business; suggested the establishment of various insurance funds, such as a pension fund; and called for establishment of a social security system that combines personal accounts and the raising of funds in society at large. However, work in this regard continues to creep along making little headway. To a certain extent it exerts a drag on enterprise reform. Consequently, forces must be organized to tackle the task.

In short, trouble-free reform has occurred in some areas but sluggishness in others produced an unevenness in overall reform that complicated the issue. This is a basic problem in reform of the enterprise system, in particular. Unless this problem is solved, a new system framework cannot be built, and the already built portion cannot be consolidated or may even regress. For example, although changes have been made in the taxation system, lack of enterprise reform means that the allocation of money to enterprises is still government controlled. Some prices have not been decontrolled, and recently some prices have been controlled anew. Therefore, the repeated losses of enterprises and agencies results not from the way they are operated, but from price and money problems. Tax reductions on individual products and in individual sectors are needed, thereby creating a threat to the principle of neutralizing value-added tax rates. The worrisome problem is that if this trend continues, achievements already made in tax reform will fade in importance.

Therefore, the urgent task of the moment is not to turn back, but to forge ahead. We must not pull back on the reforms on which progress has been made, but press ahead vigorously with the sluggish reforms. Only in this way can the basic framework for a socialist market economy be built quickly and can rapid growth of the national economy proceed smoothly.

## II. Ideas About the Focus of Reform in 1995

How should reform proceed in 1995? Views on this point of both Chinese and foreign scholars attending the symposium were very close, namely that the emphasis during 1995 should be on enterprise reform, finance and banking system reform, and the establishment of a social security system. There were some differences in approach. One suggested approach was to make enterprise reform the key element, and finance and banking system reform and establishment of a social security system supplementary. Another suggested approach was that both enterprise reform and finance and banking system reform are basic, and that establishment of a social security system should be secondary. Nevertheless, everyone agreed that these three are the key right now in moving ahead with reform.

### 1. Enterprise system reform

State-owned large and medium-sized enterprise reform is basic to establishment of a socialist market economy. It is also a reform that has an effect on many other areas. There are two basic ways to reorganize existing large and medium-sized state-owned enterprises as modern corporations: 1) "Bring in capital to transform the system," i.e., bring in domestic or foreign capital through the sale of some equity rights or expansion of shares to increase capital for use in transforming existing enterprises; 2) "in place reorganization," i.e., no change in existing ownership relationships, transforming existing state-owned and state-operated enterprises into corporate

enterprises. No matter the method employed, reorganization must be conducted in a coordinated way by all parties concerned under direction of a strong and all-embracing agency in charge.

The most important task in the reorganization of state-owned enterprises as corporations is full consideration, in terms of realities in China, of the advantages and disadvantages and benefits and shortcomings of corporations of various kinds in market economy countries, selecting our own assets structure (capital and debt), and corporate governing bodies. Next, various problems in the process of making a transition to a corporation must be studied, problems such as appraisal of existing assets, placement of surplus staff and workers, handling of excessive debt, divestiture of enterprises and institutions having nothing to do with the main business of the enterprise, etc., and seeking courses of action that offer many advantages and few disadvantages. After drawing up a reform plan, enterprises should be carefully chosen for application of the plan in groups over a period of time. State-owned enterprises that do not reorganize as corporations must give greater decision-making authority to enterprises. They must also improve control over enterprise assets and check on and supervise leadership teams more closely to ensure that state-owned assets maintain and increase their value. They must accelerate readjustment of the industrial mix and technological transformation; and they must institute bankruptcy proceedings for enterprises that have shown losses for a long time and for whom there is no hope of making a profit.

### 2. Finance and banking system reform

We think that finance and banking system reform should include the following main components:

1) Bank of China reform. First of all, "central bank law" deliberations and amendments should be speeded up to win early National People's Congress [NPC] passage. A monetary policy committee composed of central bank representatives, representatives of government organs concerned, and experts should be set up according to law to ensure that the central bank can enforce monetary policy independently to realize monetary policy goals and keep the value of money stable, in particular. In addition, the organizational structure of the People's Bank should be reformed to meet requirements of changes in functions. Reorganizing the People's Bank branch and subbranch structure by economic zones might be considered or setting up nationwide between eight and ten regional branch banks that cut across administrative region lines. Prefecture and city People's Banks should be changed to monetary administrative bureaus. The main tasks of these branch banks and administrative bureaus would be supervision and control of finance and banking institutions and financial markets.

2) The key to finance and banking system reform lies in commercialization of the state-owned specialized banks



and operating them like businesses. Appropriate readjustment of interest rates and gradual reduction in the currency inflation rate will make possible a fairly rapid rationalization of interest rates and their control by market forces. This can serve as a basis for banks making their own operating decisions, taking their own risks, and competing with each other. All bank head offices will bear full responsibility for their own assets liquidity and payment capabilities. Bank head offices will set up a board of supervisors, the boards of supervisors being empowered by the State Council or the NPC Standing Committee to supervise bank operating plans and how well they maintain and increase the value of state-owned capital; to evaluate and record the operating performance of bank managers, and to recommend appointments and dismissals and rewards and punishments. After the above reforms have been preliminarily completed, the organizational structure of state-owned commercial banks will have to be completely readjusted with those that are too large or cumbersome being divided into more than one bank. State-owned commercial banks will also have to look into possibilities for capital diversification and bank incorporation.

3) State-owned specialized banks mentioned above aside, most of the country's national commercial banks, such as the Bank of Communications, and various regional commercial banks and urban trust banks should adopt a corporate form of organization, and make their own operating decisions under supervision and control of the central bank. The present number of these commercial banks is far from adequate; many more should be added in the future. This leaves large numbers of urban credit cooperatives and rural credit cooperatives, the organizational form of which should continue to be developed. In particular, much more should be done about the organization of rural and urban cooperative banks.

### 3. Establishment of a new social security system

Establishment of a new social security system is necessary to full enterprise reform. The main tasks are as follows:

1) Reform of the current system of providing medical treatment at public expense, each industry or region setting up a health care insurance organization instead. Health care insurance funds would be non-governmental financial organizations, the employing enterprises would bear part of their cost, and individuals would be required to bear a certain percentage of their own health care costs to prevent a high welfare situation from developing at a time when revenues are low.

2) Establishment of a pension fund system consisting of two parts: a basic pension fund, and a supplementary pension fund. Basic pensions would be paid out of the basic pension fund, the source of money for this fund being not only insurance premiums that enterprises and individuals pay, but also the setting aside of some equity rights for the pension fund once enterprises become

corporations. In addition, some staff and workers would be designated members and recipients of services from the fund. An individual account system should be used for pensions. For supplementary pensions, the commercialization principle should apply with each individual being free to take out a policy for himself. Life and property insurance companies already in being and that have grown very much should be broken up into many companies, each responsible for its own business, and competing with each other.

3) Establishment of a nationwide poverty relief system for which the civil government sector is responsible. An important prerequisite for using the existing foundation for markedly improving poverty relief (including unemployment relief) is accurate figures on the number and location of low-income families nationwide with the nature of relief and relief standards then being set as national resources permit.

4) Work should begin in the cities with the establishment nationwide of omnibus unemployment insurance funds with tax agencies serving as collectors, and employment agencies using the funds. Consideration might also be given to assigning some of the equity rights of state-owned enterprises to unemployment insurance funds with returns on equity serving as a source of some money.

In addition to the above key points, the taxation system and the foreign exchange control system are also in need of further improvement. Three tasks in improving tax reform that need emphasis are as follows: 1) establishing and perfecting separate central government and local government tax bureaus responsible for collection and control; 2) defining the functions and authority of governments at all level; and 3) devising transfer-payment methods and calculation formulas. Foreign exchange control system reform requires further exploration of improved approaches in the following several regards: 1) improvement of the operation of interbank foreign exchange trading markets; and 2) instituting a settlement and exchange sale system for foreign-owned enterprises. Subsequently, once the current accounts yuan conversion system is operating normally, complete convertibility of the yuan can be instituted.

### III. Macroeconomic Climate Problems Affecting Current Progress in Reform

One current view is that in light of the present very high rate of inflation and the increasing difficulties of state-owned enterprises, reform should be slowed. Some people even maintain that the overly rapid rise in prices has been caused by the reform measures inaugurated in 1994; thus, they argue, acceleration of these reforms will increase inflation. Furthermore, they maintain that increased competition will exacerbate enterprise difficulties. Thus, they suggest backing off from price and tax reform.

I feel this to be a short-sighted way of looking at the issue. Basically, both inflation and the difficulties of

state-owned enterprises stem from the old system. Unless these system problems are solved, the sources of inflation and the difficulties of state-owned enterprises cannot be eliminated at their source. We will then be back in the vexing situation of solving one problem only to have another one crop up. When inflation becomes a serious problem, administrative means will be used to tighten the money supply or even direct meddling with prices will be used to hold down price rises. When this happens, inefficient allocation of resources will mean that some very efficient sectors and enterprises will be unable to get money, thereby compounding enterprise difficulties. Then, because of the constant increase in pressure from enterprises and local governments, banks will be forced to loosen the money supply. Shortly after the loosening of the money supply, when enterprise difficulties are still not fully relieved, prices will rise again after several speculative markets take the lead. With the rise in prices, administrative methods will be used again in an endlessly recurring cycle.

After a year's work following the Chinese government's enforcement of a stable economy plan in June 1993, China's economy is stabilizing. During the first half of the year, urban and rural savings deposits increased 38.4 percent, up 22.1 percentage points from the same period in 1993. Fixed-asset investment credit has been effectively controlled. During the first half of 1993, state-owned sector investment increased 70.5 percent over the first half of the previous year. During the first half of 1994, state-owned sector investment increased 37.5 percent over the previous year for a 33 percentage point downturn in the rate of increase. At the same time, short-term borrowing by well-performing concerns increased with the enterprise funds shortage gradually abating. Thanks to the trend toward a stable financial situation, prices began to come back down. The nationwide commodity retail price index rate of increase fell from 3.4 percent per month (an annualized 49.4 percent) between November 1993 and February 1994 to 0.9 percent in March, 1.3 percent in April, 0.7 percent in May, and 1.0 percent in June 1994. This showed that the country's inflation rate has fallen from an annualized approximately 50 percent rise at the beginning of the year to between 10 and 15 percent. If the intensity of current overall control can be maintained and control methods steadily improved, a decline in the currency inflation rate to within a monthly 0.8 percent (an annualized 10 percent) by the end of the year may be possible. This will prepare a rather good climate for the inauguration in 1995 of several major reforms. In addition, success in these reforms will bring further stabilization of the economic situation. Thus, China's economy will be able to enter a benign cycle. Conversely, if the various reforms do not move ahead as planned, and administrative control proves ineffective once again, a reversal of the fine economic situation is by no means impossible. Clearly, we must choose the former.

## Finance & Banking

### Inspection Uncovers Misappropriated Funds

HK1602070295 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1043 GMT 3 Feb 95

[FBIS Translated Text] Beijing, 3 Feb (ZHONGGUO TONGXUN SHE)—By the end of October last year, misappropriated funds amounting to 4.947 billion renminbi had been discovered in the 1994 general taxation, financial, and price inspection, which began on 18 September last year. According to the estimation of an official from the Comprehensive Management Department of the General Inspection Office of the Ministry of Finance of China, the figure may reach 14 billion yuan by the end of this year.

According to what the official said, the focus of the 1994 general inspection is to investigate and deal with existing problems in the implementation of the new financial and taxation structure and price policy. This is because this year will be the first year of important structural reforms carried out at the same time in finance, taxation, banking, foreign exchange, foreign trade, investment, pricing, and circulation, and financial and taxation reform is a major reform among them.

Last year, 1994, was the 10th year since China began to carry out general inspection in tax collection, financial affairs, and prices. According to statistics, such general inspection has been carried out on nine occasions successively from 1985 to 1993, and a total of 117.4 billion yuan in various kinds of misappropriated funds was discovered, of which 74.9 billion yuan was handed over to the state treasury. The average annual amount of missing financial revenue retrieved for the state in such inspections totaled over 8 billion yuan.

### Overseas Financing To Fund Infrastructure Projects

OW1502161795 Beijing XINHUA in English 1526  
GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Overseas financing is expected to become one of the major ways that China attracts funds for its infrastructure construction in the future.

This information comes from "Financing of Power Projects in China", a seminar here today held jointly by the Ministry of Electric Power, the State Development Bank, and the US JP Morgan Corporation.

This form of financing is widely used today by many countries because it can attract capital to large-scale projects without requiring government or bank guarantees and can use money from the project to repay the principal and interest.

Applying this fund-raising vehicle in China is of special importance as the country projects having massive infrastructure construction over the next five years to support sustained economic growth.

Last year, with an investment of 69.5 billion yuan, China generated 909 billion kWh, up 11.42 percent from previous year. By the end of 1994, the capacity of power plants amounted to 199 million kw.

The Ministry of Electric Power plans to raise the general capacity to some 300 million kw by the year 2000. Besides domestic capital resources, the industry needs to attract at least 20 billion US dollars in foreign funds to make up for the capital shortfall. The amount is about 10 billion US dollars more than the total amount of foreign funds used by the industry from 1979 to 1993.

In his opening remarks at the seminar, the chairman of JP Morgan's Asia Pacific Management Committee, Jackson Tai, said that project financing with foreign capital can satisfy the pressing requirements of China's power industry for more funds.

He said he believes that China has not been successful in attracting the large amounts of foreign capital required for infrastructure development, but, the seminar indicates a significant step forward in financing power projects in China today.

As this form of financing is still new to China, with no project financing having been done, experts from the State Development Bank and JP Morgan exchanged views on the matter with some 200 participants, including senior policy and decision makers from the Central Government, provincial power bureaus, power investment corporations, and industry professionals from around the world.

According to JP Morgan sources, the U.S. Export and Import Bank has started a finance group for projects. Its president, who visited China in the Autumn of 1994, said recently in Washington that "There is unlimited funding for creditworthy projects in China." Japan's Export and Import Bank is also evaluating this financing for use in China.

Meanwhile, JP Morgan will play an important role in providing knowledge and experience to China and will act as financial adviser for targeted projects, according to the sources.

#### **\*Article Views Impact of Reform Tax on Foreign Firms**

95CE0246A Shanghai CAIJING YANJIU [STUDY OF FINANCE AND ECONOMICS] in Chinese No 12, 3 Dec 94 pp 7-9

[Article by Huang Zhengang (7806 2182 4854): "Impact of New Tax System Reform on Foreign Businesses"]

[FBIS Translated Text] China's new tax system, which began to appear in the second half of 1993 and officially went into effect on 1 January 1994, is the most comprehensive and influential one in all the tax reforms carried out since the founding of New China. This tax reform is mainly aimed at meeting requirements to develop

China's market economy. It is also the inevitable outcome of China's efforts to deepen reform and opening up to the outside world.

The current tax reform is an overall reform. It involves almost every major category of taxes and taxpayers of all kinds. It also involves the entire system of tax administration and the tax collection system. Its profound impact and significant meaning are unprecedented in the history of tax reform.

The new tax system is basically aimed at enhancing the ability of the central government to strengthen macro economic regulation and control and giving full play to the role of taxation in regulating income. It is designed to achieve tax equity and encourage fair competition. It is also aimed at implementing the state industrial policy, standardizing and simplifying taxation, rationally decentralizing authority, and straightening out relations in distribution. It is obviously different from the several tax reforms in the past, which adhered to the principle of dealing with each case on its merits. It further tallies with international practice. On the other hand, it also demands that a certain degree of continuity and stability be maintained when the tax system undergoes a steady transition from the old to the new to smoothly carry out tax reform. This is also an essential requirement. Therefore, under the current tax reform, the tax burdens for all taxpayers are basically about the same as before. They are neither increased nor decreased. This practice is beneficial to both the government and the taxpayers. It will not harm them at all.

The impact of the current tax reform is so profound and widespread that it specifically manifests itself in many aspects. How does it mainly affect foreign businesses (including those from China's Taiwan Province)? This can be summed up as: unifying the tax system and standardizing tax categories; generalizing tax collection, maintaining preferential treatment; and imposing fair tax burdens and encouraging competition.

#### **I. Unify Tax System, Standardize Tax Categories**

One of the eye-catching moves in the current tax reform is the fact that enterprises with foreign capital and foreign enterprises are no longer required to pay the consolidated industrial-commercial tax. They only need to pay the value-added tax, the consumption tax, the business tax, and the resource tax. With the exception of the income tax for enterprises with foreign capital and foreign enterprises, other tax categories and tax laws are applicable to both domestic enterprises and foreign ones (including foreign enterprises in special economic zones) so that it will be easy for foreign enterprises to understand and unify their operations. Originally, enterprises with foreign capital and foreign enterprises generally paid the consolidated industrial and commercial tax in the form of a circulating tax, while enterprises with domestic capital paid the products, value-added, business and other taxes in the form of the circulating tax. However, enterprises with foreign capital and foreign



enterprises in the Hainan and Shenzhen Special Economic Zones also paid the product tax, the value-added tax, and the business tax. In carrying out the same kind of economic act of taxation, taxpayers of the same categories in different areas paid different taxes and complied with different tax laws. This has baffled foreign businesses investing in China. If they seek to make investments, set up enterprises, or carry out production or business operations in Shenzhen, Hainan, and other areas, they must understand not only the consolidated industrial-commercial tax, but also the products, value-added, business, and other taxes. This is apparently a complicated matter. Now the tax system is unified for both domestic and foreign enterprises in paying the circulating tax. Tax categories are now standardized, clear-cut, and simple. All this has made things easy for taxpayers to learn and understand. Tax categories and laws under the two-tax system have been unified into one. This is an important step taken by China to combine the tax system for foreign enterprises with that for domestic enterprises. With the further development of our reform program in the near future, the two different income tax systems which separately deal with foreign and domestic enterprises will also be combined into a single one under the income tax law.

## II. Generalize Taxation, Maintain Preferential Treatment

In the past when the products, value-added and business taxes were levied, taxpayers of various categories and enterprises with domestic or foreign capital paid different income taxes. They also followed different rules and regulations for tax reduction and exemption. Some of the tax reductions and exemptions were set by the government, while others are temporary. The tax base was not the same, and the way to establish such a base also differed. All this created a chaotic situation in taxation. Now a new tax system is being implemented. With the exception of a separate income tax law for enterprises with foreign capital, a new set of tax laws are enforced, and all kinds of tax reductions and exemptions are basically eliminated. The tax base has been clearly defined and the principle of universal taxation implemented. In this way, all taxpayers should pay the same kind of taxes, and the practice of applying different tax laws to taxpayers of different categories will be discontinued.

However, in order to maintain the kind of continuity and stability needed to carry out China's reform and opening-up policies, certain preferential measures which are necessary to attract foreign investment have not been affected by implementation of the principle of universal taxation in the new tax system. Many of preferential measures have been retained. Generally speaking, there indeed have been some changes in tax burdens on enterprises with foreign capital after they pay the new circulating tax. However, these changes are in the favor of, not to the disadvantage of, the enterprises with foreign capital. After the implementation of the new tax

system, about 40 percent of enterprises with foreign capital will pay almost the same amount of tax as before, 30 percent of them will pay more, and 30 percent of them will pay less. The Chinese government has adopted appropriate measures to deal with such changes. That is, those enterprises with foreign capital may, with the approval of the department concerned and within a prescribed time limit, get a refund of the extra amount of tax they have to pay in accordance with the new tax system. Specifically speaking, those enterprises with foreign capital established prior to 31 December 1993 may, with the approval of the tax authorities, get a refund of the extra amount of tax they have paid after the implementation of the new tax law within their approved duration for business operation. However, this duration must not exceed five years. Those enterprises with foreign capital established after 1 January 1994 will have to pay taxes in accordance with the new tax law. As for those enterprises with foreign capital which have to pay less tax after implementation of the new tax law, naturally they may pay their taxes according to the new tax law. They are not required to repay the amount of taxes reduced. This is to say, that generally speaking, enterprises with foreign capital will pay less tax within a period of five years, and none of them have to pay more tax.

Preferential treatment to enterprises with foreign capital and foreign enterprises for taxation as specified in the tax law will remain unchanged. They will be implemented as usual. These enterprises with foreign capital need not worry about the possibility of losing the benefits they have been enjoying.

## III. Imposing Fair Tax Burdens, Encourage Competition

The current tax reform does more in reforming the income tax. With the exception of the income tax law for foreign enterprises, the current tax reform has turned the income tax laws for different types of enterprises and individuals into a single enterprise income tax law (for enterprises with domestic capital) and a single individual income tax law. It sets the enterprise income tax rate at 33 percent. (It adds two more preferential rates of 27 percent and 18 percent for those which have reaped relatively lower profits.) It has merged the previous three different tax categories (the individual income tax, the individual income regulatory tax and the income tax for individual self-employed, small industrial and commercial businesses) into an unified income tax law for both domestic and foreign individuals.

This kind of reform has virtually eliminated the original different income taxes and different tax categories. The tax burden for domestic enterprises is about the same as that of foreign enterprises. Before, the highest nominal tax rate of enterprises with domestic capital was 55 percent. The current tax reform has reduced it to 33 percent, which is basically the same as that for enterprises with foreign capital. The income tax for enterprises with foreign capital remains the same. Enterprises

with either foreign or domestic capital have achieved tax equity in paying income tax. Therefore, it can be said that as far as the income tax is concerned, the enterprises with foreign capital are not affected. It can also be said that they are somewhat affected. This is because the current tax reform is mainly aimed at enterprises with domestic capital. The changes will not affect enterprises with foreign capital, because the tax burdens of the enterprises with domestic capital are pushed towards those of the foreign enterprises. If it is said that foreign enterprises are somewhat affected, it means they are indirectly affected. After tax equity is achieved, enterprises with domestic capital will no longer be at a disadvantage in term of tax burdens. They will no longer feel the pressure. They may compete with foreign enterprises from the same starting line. On the other hand, enterprises with foreign capital will find it relatively difficult to compete with others when they lose their advantage in terms of tax burdens. However, in view of the fact that other preferential treatment given to foreign enterprises will remain unchanged, they will still be more competitive than their counterparts with domestic capital. As for the individual income tax, the current reform has standardized and unified the tax system in dealing with individuals both at home and abroad. The tax rates are also slightly lowered. The original individual income tax law for individuals of foreign nationality is no longer suitable under the current situation. An interim measure has been adopted to allow them to pay half of the income tax. The original seven-level individual income tax rate (including the level of zero tax) specified by the individual income tax law has been changed to the nine-level individual income tax rates (not including the level of zero tax). Moreover, the original 60 percent progressive tax rate and the additional tax for self-employed small industrial and commercial businesses has been changed to a progressive tax rate not exceeding 35 percent. All this has lowered the original tax rates. The highest tax rate and the lowest tax rate for individuals of foreign nationality are now 5 percent and 45 percent respectively, but two more levels of 15 percent and 25 percent have been added between the highest and the lowest rates in the new tax law. In addition, the starting point of their income subject to the highest tax rate has been raised from 1,200 yuan to 10,000 yuan. In addition to the original standard deduction of 800 yuan, individuals of foreign nationality are now allowed additional deduction of 3,200 yuan per month. It is estimated that after the implementation of the new tax law, about 90 percent of the individuals of foreign nationality will pay slightly less tax. This impact of this is also something that we cannot ignore.

#### IV. Establish New Tax Categories, Improve New Tax System

The current tax reform has reduced the original 38 tax categories to the present 18 categories. In the near future, some more tax categories and tax laws will be announced. However, the general pattern is fixed. There

will be no major changes. The minor changes in tax categories and tax laws can basically be summarized as follows:

1. The original tax categories and tax laws which classify identical objects of taxation into different types of taxpayers will be abolished, and such objects will be merged and new tax laws enacted. For example, all kinds of income taxes for domestic enterprises will be rescinded and the current enterprise income tax law enforced. This is also true for other taxes such as the house property tax, the vehicle and vessel use tax, and the individual income tax.
2. The original tax categories will remain unchanged, but the scope of taxation will be expanded and the amount of tax to be paid adjusted. The resource tax and the urban and rural maintenance and construction taxes are included in this category.
3. The original tax categories and tax laws will remain unchanged in terms of the stamp tax and the slaughter tax.
4. New tax categories and tax laws will be added, such as the increment tax on land value.

Naturally any change or addition in the tax category and tax law will affect taxpayers. Such changes or additions are of a particular nature to foreign enterprises and individuals of foreign nationality. We have analyzed the main aspect of such effects in the aforementioned paragraphs. There will be some minor changes in terms of tax category and tax law. Some of them, such as the increment tax on land value, will also have a major impact. Although such changes have not yet occurred, foreign businesses which are engaged in real estate business have shown great concern. Once this tax is officially levied, its regulatory function will certainly be noticeable. This is precisely the aim of the government in establishing this tax category in order to achieve the goal of macroeconomic control.

In short, the impact of China's current tax reform is widespread and profound. From the taxpayers' point of view, its impact is perhaps even greater on foreign enterprises and individuals of foreign nationality.

#### Hunan Leaders Attend Finance Work Conference

HK1602101395 Changsha Hunan People's Radio Network in Mandarin 2300 GMT 11 Feb 95

[FBIS Translated Text] A provincial financial work conference was held in Changsha yesterday [11 February]. Provincial party and government leaders Wang Maolin [provincial party secretary], Yang Zhengwu [acting governor], Liu Fusheng [provincial people's congress chairman], Yang Minzhi, and Zhou Shichang attended the conference, which urged the broad masses of cadres and the employees in financial departments to cooperate in unity; heighten fighting spirit; forge ahead

while breaking new ground; and make fresh contributions to improving the quality of the financial sector, curbing inflation, and developing the province's economy.

By the end of last year, the ordinary deposit balance of financial institutions in Hunan amounted to 98.4 billion yuan, a net increase of 27 billion yuan from the beginning of the year. While vigorously organizing bank deposits—on the premise of putting aggregate volume under strict control—financial institutions at all levels in province flexibly implemented the macroregulation and control measures, extended more credits, and ensured the needs of key construction. By the end of last year, the financial institutions' balance of various credits had reached 117.44 billion yuan, a gain of 22.35 billion yuan or a rise of 23 percent from the beginning of the year.

Since the beginning of last year, financial institutions at all levels in Hunan have made greater efforts to rectify financial order; initially straightened out distorted financial behaviors; and roughly checked such problems as wantonly setting up institutions, granting interbank lending, fixing interest rates, and wantonly raising funds.

At yesterday's conference, provincial leaders Wang Maolin, Yang Zhengwu, and Zhou Shichang delivered important speeches. They fully affirmed Hunan's achievements in its 1994 financial work, and issued specific instructions on this year's financial work. Acting Governor Yang Zhengwu, deputy secretary of the provincial party committee, pointed out: At present, financial institutions at all levels must vigorously encourage saving, extensively launch savings activities of loving the country and the hometown throughout the province, optimize lending composition, extend more loans to sectors that promise good economic results, and firmly and successfully curb inflation and check excessively rapid price increases, which are tasks of primary importance.

#### **Tibet Firm Lists Shares With Shanghai Stock Exchange**

OW1502164995 Beijing XINHUA in English 1609  
GMT 15 Feb 95

[FBIS Transcribed Text] Shanghai, February 15 (XINHUA)—All 30 provinces, municipalities, and autonomous regions in China soon will have companies listed with stock exchanges when one from southwest China's Tibetan Autonomous Region starts being traded on the Shanghai Stock Exchange on 17 February.

Yang Chuantang, a senior official of the autonomous region told a news conference here today that the Tibet Mingzhu Co. Ltd issued 30 million shares of stock recently, putting an end to Tibet's being the only region with no stock listed.

"It's a milestone for Tibet's economic development, reflecting the fact that it has taken a major step forward in economic reform," Yang said.

The reforms of the enterprise system in Tibet mean that it is catching up with other parts in China, and is merging with the whole country and the world, he added.

The Mingzhu stocks sold out during the January 6 to 8 period, raising a sum of up to 1.45 billion yuan, a record high among A- shares.

Wu Yalun, vice-president of the Shanghai Stock Exchange, said that Tibet Mingzhu will go down in history as the 293th company listed in the Chinese mainland.

#### **\*Making Shanghai a World Finance Center Viewed**

95CE0206A Beijing GUANLI SHIJIE  
[MANAGEMENT WORLD] in Chinese No 5, 24 Sep  
94 pp 59-66

[Article by Shen Bainian (3476 2672 1628), et al., of the Finance, Banking, and Trade Research Section Study Group of the State Council Research Department: "Possibilities of Establishing Shanghai As an International Financial Center Studied"]

[FBIS Translated Excerpt] The 14th National Party Congress asked us to "promptly turn Shanghai into an international economic, financial, and commercial center." This is necessary for further opening up, strengthening economic contacts and relations between China and other nations in the world, furthering the reform effort, establishing a socialist market economic system, realizing the second and third steps in our economic development strategy, and advancing China's international strategic status. This is not an ordinary task, nor is it a regional developmental policy; rather, it is a major issue that pertains to the overall picture of the country's reform and development.

#### **I. Shanghai Is Already Fairly Well Qualified To Become an International Financial Center**

There are urgent and necessary conditions as well as possibilities and realistic needs for turning Shanghai into an international financial center. [passage omitted]

In the 15 years since reform first began, China has forged increasingly close ties with the international economy. Its national economic development, which centers around economic constructions, has produced most impressive results. In the wake of the gradual development of the socialist market economic system and the accelerated pace of opening up, it is inevitable that China's economy will link up to and fully integrate with the international economy. Under this new economic situation, and as a vast country of the Asia-Pacific region, China needs an international financial center to serve as the bridge and the hub for maintaining foreign and domestic economic contacts. Shanghai is the bridgehead in China's reform and opening up; it is the dragon head—the leader—that moves and shakes the Chang Jiang Delta; it is an important commodity collection and



distribution center and entrepot for international goods and materials. It is better qualified and has a stronger base by far than those of Singapore and Hong Kong at the end of the 1960's. It is perfect for the role as an international financial center. As Comrade Deng Xiaoping said, "If China is to acquire international status in the world, Shanghai is our best hope."

**1. The region along the Chang Jiang, especially the Chang Jiang Delta, which plays a pivotal role in the nation's economy, is Shanghai's solid base as an international financial center.**

The Chang Jiang delta and the river basin, stretching from Shanghai in the east to Chongqing in the west, contain the municipality and provinces of Shanghai, Jiangsu, Anhui, Jiangxi, Hubei, Hunan, and Sichuan, and includes one municipality, four cities with province-level economic decision-making authority, 23 prefectural-level cities, and 8 prefectures. Its total area is 330,00 square km, accounting for 3.4 percent of the country's total area; its population accounts for around 15 percent and its GNP is around 20 percent of the national total. Its 1990 per capita GNP was nearly 500 yuan higher than the national average.

In particular, situated in the intersection where the open zone along the eastern seaboard meets the economic zone along the Chang Jiang is the Chang Jiang Delta which accounts for 6.3 percent of the country's total population and 1 percent of the land, but 12.9 percent of national GNP, 13.7 percent of national income, 11.2 percent of revenues, and 12.5 percent of industrial profit taxes. It is fairly urbanized and industrialized, and it already has an urban network, with Shanghai at its center, and a diversified industrial system; the composite efficiency of its cities is 1.5 to 2 times higher than the national average. It is fair to say that a new, world-class processing center is on the rise. The burgeoning economy and the gradual economic integration of the Chang Jiang basin, especially in the delta region, will play an important role giving impetus to the development of Shanghai, the "dragon head."

The vigorous economic development along the Chang Jiang, especially the delta region, has attracted the attention of investors around the world. They are investing heavily in Shanghai, the "dragon head," in hopes of making it the basing point for further expansion into the surrounding areas. Statistics show that currently investors from 54 countries and regions are financing 147 projects in Shanghai alone, with contracted foreign capital worth \$14.9 billion and actual investment of \$5.1 billion already put in. Well-known transnational companies keep on increasing their investments in Shanghai. In early 1993, there were 44 transnational companies investing in 68 projects worth \$950 million in contracted foreign capital. Today, there are 128 such companies investing in 206 projects worth in excess of \$2.5 billion in contracted foreign investments. It is worth noting that most of the more than 4,000 "three kinds of wholly and

partially foreign-funded enterprises" in Shanghai are doing quite well; 80 percent are profitable, putting Shanghai at the top nationwide. This is the solid economic base for establishing Shanghai as an international financial center.

**2. Shanghai's geographic location is superior; its land, sea, and air transport facilities are well-developed and its international postal and telecommunications systems are very advanced.**

Shanghai is situated at latitude 31 degrees 14 minutes north and longitude 121 degrees 29 minutes east. It is one of the world's most famous port cities. It lies near the center of the coast of mainland China at the mouth of the Chang Jiang and is an important thoroughfare that links the Chinese mainland to the rest of the world. By sea, ships from Shanghai can reach 400 ports in more than 160 countries and regions in five continents, and there are passenger and cargo ships sailing to various Japanese ports and to San Francisco, London, Hamburg, and Rotterdam, as well as Australia, New Zealand, and various Mediterranean ports. By air, international routes link Shanghai to Tokyo, New York, Paris, Vancouver, Singapore and other major cities in the world. There are more than 80 domestic air routes, and railways stretch across the country reaching everywhere. Shanghai is also an important international postal and telecommunications hub and handles more than one-third of the country's international postal and telecommunications businesses. An undersea optical cable system for telecommunications linking China and Japan was installed recently. It measures 1,252 km long and will be connected with the Pacific, Atlantic, Asia, and Oceanic optical cables, creating a digital information net that links all areas worldwide. In addition, if we look at the time zones in the world, Shanghai's location can keep the activities of the existing international financial centers going around the clock. That is, when the New York market closes, Tokyo can take over; when the Tokyo market is about to close, Shanghai can pick up from there; when the Shanghai market closes, Zurich can take over; when Zurich takes a break, London continues, and when London closes, New York is ready to open again. Thus, Shanghai has a unique geographic advantage and superior transportation and communications systems for joining the network of international financial centers.

**3. A relatively high concentration of financial institutions and rapidly developing financial markets are important factors helping to shape Shanghai into an international financial center.**

Since reform and opening up, there has been a surge in the number of financial institutions in Shanghai, basically creating a financial system consisting of commercial banks and non-bank financial institutions and domestic as well as foreign financial institutions. Besides the Industrial and Commercial, Agricultural, People's Construction, and other state-owned commercial banks, there are also the Communications, China Trust and

Industrial, China Merchants, Pudong Development, and other shareholding or regional commercial banks whose headquarters are set up in Shanghai. In addition, there are nearly 100 city credit cooperatives, more than 200 rural credit cooperatives, more than 20 investment trust, securities, financial leasing, insurance, finance companies, and other nonbank financial institutions and their branches. While domestic financial institutions are developing, foreign financial institutions are also moving into Shanghai at record speed. The 65 existing foreign-funded financial institutions basically fall into three categories: One, foreign-owned banks, such as France's Banque de Lyon and the United States' Bank of America; two, foreign insurance companies, such as the United States' AIA Insurance Company and Japan's SANKAI [0005 7030] Ocean Disaster Insurance Company; three, foreign-owned securities companies such as Japan's Nomura and Britain's GAOCHENG [7559 1004] securities companies. Seventy percent of the foreign-owned banks in Shanghai are branches of the world's 50 largest banks. Based on incomplete data, foreign-funded banks in Shanghai have total asset in excess of \$3 billion. Foreign financial institutions have more than 10 seats in the Shanghai Stock Exchange trading B stocks.

The sudden upsurge of Shanghai's financial markets has attracted broad attention from around the world. There is already a fledging long- and short-term fund market system where securities, daily-rate loans, and foreign exchange trading play a dominant role. In 1993, the volume of exchange at the Shanghai Stock Exchange topped 500 billion yuan; there were 501 member units, up from the initial 25, and 2,600 exchange seats, up from the original 46. Today, the daily volume of transaction in state bonds, stocks, and financial bonds is in the billions of yuan; property rights to nearly a hundred listed companies are being bought and sold here. The Shanghai Stock Market is linked to securities companies or business departments in 29 provinces, municipalities, and autonomous regions nationwide; 400 cities can take part in market trading at the same time. After only three years, the Shanghai Stock Exchange has attained the same standard as foreign securities markets that have several hundred years of history. They are linked by satellite communications and computer networks to form a highly efficient and accurate integrated system to transfer accounts via computers, and there is a quick and convenient central settlement system and an advanced paperless transaction and quick market information relay system. Financial experts around the world believe that "between 2010 and 2020, the Shanghai Exchange will become one of the world's largest stock markets."

Shanghai's short-term daily-rate loan market, which was the first financial market of any kind to appear in the country, has also made rapid progress in recent years and is becoming standardized. In 1993, more than 220 billion yuan in short-term daily-rate loans were taken out; the lending and borrowing network has gone beyond South China to reach the whole country. The volume of

exchange in Shanghai's foreign exchange swapping centers is the highest among similar markets in the country; their prices play the lead role in guiding other swapping prices in markets nationwide. Thus, it is clear that Shanghai's financial markets are evolving into a national unified market system and are gradually linking up to and integrating with the international financial markets.

There is little doubt that in the wake of China's continued rapid economic growth and accelerated pace of financial reform, Shanghai will find its financial industry entering a new phase to further develop into an international financial center.

#### **4. Shanghai was once a world-renowned financial center in the Far East.**

Before liberation, Shanghai was one of the earlier commercial ports, and as the largest city in the Far East, it attracted foreign and domestic investors alike, as well as many foreign and domestic financial institutions, and it thus became a financial center. Many foreign and Chinese banks, old-style private banks, insurance companies, trust companies, and so on gathered in Shanghai in the 1940's, and by the end of the War of Resistance, there were 441 such companies. One-third of the nation's banks had their headquarters in Shanghai, and almost all insurance companies had their headquarters there. Shanghai's financial industry was responsible for gathering more than 40 percent of the country's capital funds. The financial institutions had more than 600 branches and several thousand remittance points located in more than 20 provinces and municipalities around the country. At the same time, its money market, which primarily handled interbank daily-rate loans and note discounting, and its capital market, which emphasized the issuance of stocks and bonds and long-term collaterals, were fairly well-developed; there were more than 70 securities companies and exchanges. The Shanghai Securities Exchange, first conceived in May 1946, opened for business in September; more than 230 brokers participated. This was old China's only securities exchange of significant scope operating in the Far East. Shanghai's historical international clout no doubt is an advantage in helping to rebuild the municipality into an international financial center.

#### **5. The Pudong development strategy of the CPC Central Committee has injected new life into Shanghai's development.**

Before liberation, Shanghai was known to the world as the largest city and the financial hub of the Far East. After liberation, Shanghai continued to give play to its industrial and commercial superiorities to support the nation's development. However, because the population grew too rapidly and because of little input in urban development, the problems of overcrowding, lack of industrial land, narrow roads, and so on seriously undermined Shanghai's ability to give play to its role as a multipurpose city. Thus, without the development of

new zones, hopes of rebuilding Shanghai into an international financial center would be seriously jeopardized. Since the CPC Central Committee formally announced its establishment in April 1990, the Pudong New Zone has undergone rapid development, and the results have been outstanding. The Waigaoqiao Tax Preservation Zone, Jinqiao Export Processing Zone, and Lujiazui Finance and Trade Zone are all taking shape. In recent years, by attracting foreign investments and joining with domestic investors to raise capital through banks, securities sales, land leases, and so on, Shanghai has raised 200 billion yuan, to accelerate its pace of economic construction greatly. It is hoped that it will achieve its new goal of turning over its GNP eight times in 10 years. This will have an important effect on turning Shanghai into an international financial center.

## **II. Problems and Issues in Turning Shanghai Into an International Financial Center**

### **1. The shackles of the traditional planned economic system remain.**

All financial centers, domestic and international, are the product of the modern market economy, but Shanghai is a fairly typical example of a planned economic system. It has a fairly large concentration of large and medium-sized state-owned enterprises, and therefore its burden is heavier and its problems more serious than elsewhere. To turn Shanghai into an international financial center, we must first put every effort into accelerating reform, sorting out relationships, and resolutely resolving systemic defects that are not compatible with the development of the socialist market economy.

### **2. It is not likely that Shanghai can become the national economic hub within the near future.**

To become a financial center, generally speaking, a city must first become an economic hub. An economic hub must have substantial economic clout, substantial economic gathering and distribution capacity, and very close economic ties with the vast hinterland, so that, in turn, it can directly affect the scope and the progress of the hinterland's economic development. Hong Kong became a financial center because of its close ties with the mainland, especially with the vast South China region. Shanghai's hinterland is the vast Chang Jiang basin and especially the Chang Jiang Delta. In terms of industrial base, technological strength, natural resources, and quality labor force, as well as in terms of consumer demand and market potential, it enjoys clear advantages. But shackled by the country's planned economic system, an immature market economic system, and regional separatism based on self-interest, lateral economic ties are loose. This hinders Shanghai's attempt to integrate with the economy of the region. If Shanghai fails to strengthen the function of serving the area and further promoting its economic ties with the vast hinterland, its ability to become a financial center will be impaired.

### **3. The progress of China's financial reform will directly affect Shanghai's transformation into a financial center.**

All financial centers, regional or international, must have the support of many large commercial banks and a large volume of financial business. The four main banks—Industry and Commerce, Agriculture, People's, and People's Construction—which are the mainstay of China's financial system, are still not bona fide commercial banks, and this seriously limits any improvement in Shanghai's banking mechanisms. At the same time, several large domestic specialized banks have set up headquarters in Beijing; all settlements are carried out in Beijing, and all large business transactions are conducted there. For example, the Bank of China headquarters handles 40 percent of the bank's business. This situation does not lend itself to transforming Shanghai into a financial center.

### **4. The central government's macroeconomic financial policy poses a constraint.**

The formation and development of a financial center is dependent on implementation by the the central government of a series of policies to liberalize and internationalize financial markets. This means we need a loose and stable financial policy, stable currency, ample foreign reserve, convenient fund transfer and allocation, loose or no foreign exchange control, preferential tax rates, and so on. Currently, China's economic reform has entered the "critical" stage; it will be difficult for the restructuring of the financial system to move ahead at this point. In particular, in recent years China's economic development has been in high gear; there is tremendous inflationary pressure, regional economic development is uneven, and we need fairly stringent financial controls to maintain proper financial order. This situation will not change in the near future. Under this policy environment, there will be limitations to how far Shanghai can go to develop its financial markets, encourage foreign banks to open branches, and rapidly expand its financial business.

### **5. Shanghai still lags far behind in terms of its urban infrastructure and other aspects of the tertiary industry and with respect to the training and nurturing of personnel proficient in international finance.**

Compared to the developed countries, Shanghai's tertiary industry is fairly backward. In 1992, its tertiary industry accounted for 33.1 percent of its GNP, compared to 60 percent for most international financial centers. Even though Shanghai's stock, futures, foreign exchange, inter-bank loan, and note discounting markets are the country's most complete in terms of variety and the largest in terms of volume of transaction, such superiority is relative only to other cities at home; compared to other international financial centers, it is still primitive and imperfect. Shanghai's financial industry falls far short of the needs of a modern market economy in terms of business scope, size, and legislation and regulations. Apparently most existing international financial centers have many foreign-invested banks. For example, there are 430 foreign-invested banks in



London, 350 in New York, 115 in Tokyo, 233 in Frankfurt, 133 in Hong Kong, and 118 in Singapore. Shanghai has attracted some foreign-funded financial institutions in recent years, but as a large financial center, it is only a beginner.

Shanghai has an acute shortage of financial specialists. A sample of existing international financial centers boast the following percentages of financial specialists: London, 11.5 percent; New York, 11.5 percent; Hong Kong, 14 percent. But in Shanghai, in 1990, only 0.7 percent employed in the industry were specialists. At the end of 1990, in the Pudong New Zone, financial and insurance professionals only accounted for 0.2 percent of workers employed in that industry; they accounted for 1.06 percent of all professionals in Pudong. According to estimates by the Shanghai Financial Research Department, by the end of this century, because of a more refined division of labor in the financial industry and because of the many newly-added organs, Shanghai will need to add more than 100,000 financial specialists; in particular, there is an urgent need for senior staff to deal with complex tasks. Currently, Shanghai can train only around 10,000 people in finance, economics, and trade; there is an acute shortage of people well-versed in international finance, laws and regulations, operational tasks, and management and decisionmaking. Not only that, but there is also an acute shortage of specialists trained in communication technologies, consultation, computers, information, foreign languages, and macro-economic research.

Shanghai's urban construction has fallen too far behind. It cannot give full play to its function as a multi-purpose city, and it has an arduous task in transforming the old regions and developing new zones.

### III. Procedures and Specific Measures For Turning Shanghai Into an International Financial Center

China is a developing country; it is also a large country that plays a pivotal role in international contacts. To turn Shanghai into a bona fide international financial center, we need a higher starting point. The ultimate goal should be to catch up with London and New York and other financial center of global significance. We should strive to realize this goal in half a century's time. We should make use of ample real economic strength as our base, like New York, London, Tokyo, and other financial centers, but we must also learn from the successful experiences of Hong Kong and Singapore, which managed to turn themselves into financial centers within a relatively short period of time. We believe that to turn Shanghai into a world-class international financial center, we need to take three steps:

First, by the year 2000, Shanghai should be turned into a solid, open, multipurpose national financial center. Solid means that by the end of the century, it should become the nation's largest economic and trade center under market economic conditions. This should be the foundation on which to build the country's financial center.

Open means Shanghai should gradually turn into an international metropolis and become the bridge and the tie that links the domestic economy to the world economy. Multipurpose means it must become a city with the highest concentration of major foreign and domestic banks and financial institutions, a city where the nation's largest monetary, capital, foreign exchange, gold, futures, and insurance markets are located, so that there is a well-developed, highly efficient financial service system. At the same time, an offshore international financial market should be set up in Pudong to gather experience and train personnel to help Shanghai become a financial center.

Second, between 2000 and 2010, upon becoming the nation's financial center, Shanghai should generate some impact on neighboring countries and regions to become one of Asia's international financial centers. In terms of the number of banks and the volume of transaction in the major financial markets, it should catch up with or even surpass Hong Kong and Singapore.

Third, from 2010 until the middle of the next century, upon augmenting and refining its role as one of Asia's international financial centers, it should exert some influence in major regions around the world to gradually become one of the world's financial centers and provide diverse financial services for its global clients, catching up with New York, London, Tokyo, and other world-class financial centers in all aspects.

In trying to reach our final goal in three steps, the first step is the most critical. We must guarantee success in reaching the first step.

#### 1. Shanghai must play the "China Card" and win national support by serving the whole country.

One, the cadres and the masses must change their attitude, further liberate their thinking, get rid of the old prejudicial idea of putting "Shanghai first," and try to learn from its fraternal provinces and municipalities. Two, we must accelerate the pace of readjusting the industrial structure and emphasize developing tertiary industries, especially finance, insurance, trade, information, consultation, financial accounting, legal, commercial, and other services, and provide the whole country with fine, inexpensive, and efficient services to win support with those services. Three, Shanghai should aid and support the whole country with its financial, technological, personnel, and management experience, so that the entire country, especially the large interior provinces that are rich in resources, can reap some real benefits and strengthen their lateral ties with Shanghai. In particular, Shanghai should strengthen its economic cooperation with the Chang Jiang Delta, remove systemic bonds, straighten out economic relations, and accelerate the process of economic integration, so that the economic prosperity of the hinterland and Shanghai's development are tied together tightly to form the solid foundation supporting the rise of this international financial center.

## 2. Shanghai must spearhead the country's economic reform.

The most basic requirement in turning Shanghai into an international financial center as quickly as possible is that Shanghai's economic and financial systems and mechanisms must meet the needs of a modern market economy and comply with international practice. In the comprehensive restructuring of the economic system, Shanghai must concentrate on the important and make a breakthrough in its financial reform.

We must promptly turn Shanghai's existing specialized banks into modern commercial banks with respect to their administrative and management mechanisms and operating style to put them on a par with and even surpass the standards of major international banks in quality and efficiency, so that they can compete with them on an equal footing. At the same time, we must develop many banks and non-bank financial institutions of different ownership systems and actively attract foreign-funded banks and financial institutions to create even more market entities.

With respect to market construction, upon further standardizing Shanghai's interbank short-term loan markets, we should set up a national short-term loan center. The focus should be on developing inter-bank daily-rate fund gathering activities to gradually integrate inter-bank short-term loans, note exchanging, and industry-wide remittance settlement and form a three-in-one money market consisting of trading, settlement, and fund-gathering activities. We must remove all lateral and vertical blockades and welcome all provinces and municipalities to come to Shanghai to set up financial companies. We should list short-term loan rates and allow free exchange to make Shanghai's short-term daily loan rates more market-oriented. We should improve Shanghai's existing discounting market and gradually expand it and turn it into a national note discounting center. Current development of the notes market in Asia's three large international financial centers (Tokyo, Hong Kong, and Singapore) has been slow. Shanghai should open up this market to encourage enterprises to make use of commercial notes and bank drafts. Commercial banks and the central bank must resolutely do a good job handling discounting and rediscounting business. We must seize the opportunity as the central bank sets up an open market operation center in Shanghai to develop and perfect the state bonds issuance and exchange and settlement systems to link up with the major securities exchange centers nationwide via computers and set up and perfect a state bond exchange center.

With respect to the capital market, which has been growing by leaps and bounds for more than three years, a burgeoning national capital market centered in Shanghai is on the ascent. To develop the capital market: 1) We should adhere to the principles of openness, equality, and fairness to actively explore ways to gradually integrate the markets for individual shares, legal-person shares, and state-owned shares. When conditions

are ripe, we should remove the barrier between A and B shares. 2) We should continuously expand Shanghai's stock market capacity, upgrade the market, readjust the market structure, and attract some large, mainstay enterprises who play pivotal roles in the country to list their stocks in the Shanghai market to enhance market stability. 3) We should continuously design and develop new kinds of securities and learn from the new experiences and lessons of the international financial markets. 4) We should vigorously develop fund markets and provide professional services for the mass of investors. 5) We should gradually ease conditions for letting foreign securities companies come into Shanghai and allow internationally known foreign or transnational companies to list their stocks in the Shanghai market. Domestic investors can get into international capital markets by buying the stocks of these companies.

With respect to the foreign exchange market, we should cater to the needs of the new foreign exchange control system to develop and perfect Shanghai's foreign currency exchange. We should help all regions swap foreign exchange to regulate shortages and surpluses and speed up transactions and settlement services by setting standards and using an electronic system. We should expand the scope of market exchanges. At the same time, we should explore, experiment with, and blaze new trails to gradually turn the yuan into a convertible currency.

With respect to the gold market, we should gradually develop the gold and silver jewelry markets into gold exchange centers in the real sense. Gold is a type of world currency; it serves international payment and settlement purposes and has very close ties to foreign exchanges. Although China has emerged its foreign exchange tracks, the yuan is far from being a freely convertible international currency. Under the circumstances, developing the gold market will be limited and constrained by the foreign exchange policy. Therefore, we must go through a gradual process before setting up the gold market. Today, we are at the preparatory stage. We should first put gold products under control. Gold should be centrally procured by state banks, and variable prices may be set according to the market supply-and-demand situation. At the same time, we should formulate gold exchange laws and regulations and operating procedures and set up an advanced communications network. When conditions ripen, we should set up a national gold exchange market in Shanghai. We should first launch gold buying and selling among banks before opening primary and secondary markets. Only gold producers, representatives of user enterprises, financial institutions, and agents should participate in the primary markets. They should mainly handle wholesale business. The masses of consumers and scattered clients may participate in the secondary markets. They should mainly be in the retail business. The gold exchange should be set up on this basis, and we should open it up to overseas participants.

With respect to the futures market, currently, Shanghai has the largest number of staple commodities futures

exchanges in the country, and their transaction volume is also the largest. But they must be further standardized to form national futures exchange centers that comply with international practices and meet higher standards. We should promptly formulate and improve futures exchange laws and regulations, end lateral and vertical separatism, set up a unified supervisory organ, discipline and supervise the conducts of all parties according to the law, and limit excessive speculation so the futures markets are lively and efficient, orderly and safe.

With respect to the insurance markets, we must go a step further to end the monopoly and enrich and strengthen Shanghai's insurance business amid competition, and turn it into the nation's largest insurance market. We must also open and import more insurance companies and let them compete fairly. As the need arises amid development, we should continuously expand the scope of coverage and launch all kinds of domestic and foreign-related insurance businesses. We should set up ratings companies and other intermediate organs, actively participate in international insurance markets, join some international insurance organizations, and establish co-insurer relations with other international insurance groups.

**3. We should create a good external environment for turning Shanghai into a financial center.**

The creation of a financial center must have the government's active support. It is essential that the central government supports and creates conditions that are favorable to Shanghai.

We must widen the scope of business operations of the several state-owned specialized banks in Shanghai, and in turn open industrial and commercial, agricultural, and construction banks and a Bank of China for East China, and give them the status of independent legal persons. We should further support the expansion of Communication Bank headquarters and increase the number of outlets in Shanghai, the Chang Jiang Delta, and even in the entire Chang Jiang basin. We should use preferential terms to entice existing and new commercial banks to open branches or move their headquarters to Shanghai.

To attract even more foreign-funded banks, we must gradually create conditions for fair competition. For example, we can decontrol some renminbi businesses in Shanghai first, and strive to have the major world banks open branches in Shanghai by the end of this century. Furthermore, we should allow some shareholding banks and joint-venture banks to open in Shanghai.

**4. We should set up a proper offshore financial market in the Pudong New Zone.**

Setting up offshore financial markets will prepare domestic financial organizations for entry into international financial markets by training personnel and

opening business channels. This will narrow the temporal and spatial gaps between domestic and international financial markets, which will facilitate international fund settlement and accelerate fund circulation. At the same time, it will enhance the international reputation and status of Shanghai financial markets and lay the foundation for their ascent among the ranks of international financial centers in the next century.

To set up offshore financial centers in Shanghai, we need to go through the following four stages:

1. We should allow all foreign-funded banks, joint-venture banks, and financial companies in Shanghai to set up offshore financial institutions at designated locales and allow the nation's large commercial bank headquarters to open branches in the offshore markets and extend to them the same privileges enjoyed by branches set up abroad. They may engage in deposits, loans, and foreign exchange buying and selling over the border, and later on, we can try to attract some first-rate foreign-funded or trans-national banks to register and set up business in the area to expand the scope of the offshore banks.

2. On the premise of guaranteeing the normal functioning of domestic financial markets, we should set up tightly managed mechanisms that convert offshore funds into onshore funds, so that offshore deposits can provide foreign exchange loan funds for domestic enterprises and open up a new channel for raising foreign funds.

3. In the wake of the continuous improvement of offshore market operating mechanisms, their business scope may be expanded to include the capital market to directly issue Chinese state bonds, stocks, and funds to make absorbing foreign funds even more convenient and faster.

4. When the yuan becomes freely convertible, the barrier between onshore and offshore financial markets should be removed.

**5. We should develop Pudong, transform Puxi, and build better hardware and software for the financial center.**

The principle behind Pudong's economic development should be to make tertiary industry the main industry and financial services its mainstay; it should not overdevelop ordinary processing industries. When developing Pudong and transforming Puxi, every effort should be made to improve transportation, communications, energy resources, and other aspects of the infrastructure. In particular, we must build an "information highway," utilize today's advanced technologies and high technology to create an information-sharing network and let Shanghai move to the country's forefront in the second "global information revolution."



**Foreign Trade & Investment****Guangdong Governor: 'Impossible' To Stamp Out Piracy***HK1602033895 Hong Kong AFP in English 0243 GMT 16 Feb 95*

[By Robert MacPherson]

[FBIS Transcribed Text] Guangzhou, China, Feb 16 (AFP)—It will be "impossible" to stamp out copyright piracy in China in one fell swoop, despite unrelenting US pressure on Beijing to do so, the governor of China's richest province has said.

Guangdong's Zhu Senlin acknowledged that factories in his free-wheeling south-coast province do indeed churn out counterfeit compact disks, computer programs, videos and other products.

But he argued that Guangdong was "resolute" in defending intellectual property rights, as tense Sino-US negotiations on the vexed issue continue in Beijing in an attempt to avert an all-out trade war.

"Frankly speaking, it is difficult to eradicate all (copyright piracy) at one time," Zhu, one of China's most powerful provincial leaders, told AFP.

"It's impossible," he added.

"But I should say that the attitude of the provincial government is resolute. We want to make tremendous efforts to protect intellectual property rights," he said.

US officials and industry lobbyists say copyright piracy is at its worst in southern China, where most of the 29 compact disk factories Washington wants shut down are located.

But Zhu says the number of factories involved in counterfeiting were not as numerous in Guangdong as the United States has claimed.

"Yes, there are such factories, but not as many as those mentioned by them," he said. "It's not true to say that there are none, but it's also not true to say our attitudes are not resolute and thorough," he added.

Chinese sources and news media have reported an upsurge in raids on copyright pirates in Guangdong in the past week, with "millions" of bogus compact disks and video cassettes being seized. At least five companies are also reported to be under investigation in the province.

Asked what the impact of US trade sanctions might be on Guangdong if the talks in Beijing fail to succeed by a February 26 deadline, Zhu said the province's trade with the United States would be hit "to a certain degree."

"These kinds of sanctions will do no good ... We don't wish for such an outcome from the talks," he said. "But we're not only trading with the United States. We also

trade with many other parts of the world. We are going to open new channels and new markets."

In and around Guangzhou's bustling Qingping market, an AFP reporter on Wednesday found no signs of pirate compact disks or video tapes. But several shops offered another form of copyright infringement—packaging of foodstuffs in formats resembling well-known foreign brands in all but name, including Swiss chocolates and Danish cookies.

"We are, in fact, acting very actively," Zhu said, referring in particular to compact disks and computer programs—the products at the heart of the dispute with Washington. "We have not only enacted laws and regulations, but also pulled up a lot of human and material resources to carry out campaigns to investigate and punish these illegal activities," he said.

**Shanghai Launches Campaign To Fight Counterfeits***HK1502132795 Beijing ZHONGGUO XINWEN SHE in Chinese 1242 GMT 13 Feb 95*

[Report: "Shanghai Launches Comprehensive Campaign To Fight Fakes"]

[FBIS Translated Text] Shanghai, 13 February (ZHONGGUO XINWEN SHE)—Shanghai is making greater efforts to fight fakes and to rectify the order of market competition. In today's activities to fight fakes, 2,120 cartons of fake or counterfeit cigarettes, 30,000 bottles of fake wine, 1,050 pirated audio cassettes, some fake Tianchu gourmet powder and Longevity toothbrushes, and a large amount of other fake and shoddy commodities were seized according to the law.

The current campaign to fight fakes is primarily to investigate and deal with fake and shoddy cigarettes, wine, imported household appliances, foodstuffs, garments, shoes, and counterfeit cigarettes and other commodities that have a bearing on the daily life of residents. The industry and commerce administrative bureaus at various levels in all districts of the Shanghai Municipality sent more than 500 people today to urban and rural trade fairs, railway stations, bus stations, wharves, and major commercial streets in both urban and suburban areas to check out 801 shops and booths.

Chen Haigang, deputy director of the Shanghai Municipal Industry and Commerce Bureau, said: For the sake of the prosperity of Shanghai, which is a big market, the campaign to fight fakes will continue for a long time. Managers who are found to have violated the law to produce or sell fake and shoddy commodities will be investigated, and will have administrative and even criminal responsibility affixed.

**Power Industry Seeks More Foreign Capital***HK1602064095 Beijing CHINA DAILY in English 16 Feb 95 p 5*

[By Ren Kan: "Power Industry Has Plan to Attract More Capital"]

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[FBIS Transcribed Text] China's electric power industry wants to introduce project financing to enhance its absorption of foreign capital.

Nearly 200 industrial and financial experts from home and abroad attended a seminar on promoting project financing activities in China yesterday in Beijing.

"The introduction of project financing will create a new channel to flow foreign funds into the power industry," said an official with the Ministry of Electric Power Industry.

During the past 16 years, the industry has attracted a huge amount of foreign funds which has accounted for 10 per cent of the industry's total investment.

But foreign funds flow into the industry mainly through foreign government and international financial institution loans, the establishment of Sino-foreign cooperative and jointly-funded ventures and overseas listing.

No true project financing is being done yet in China. Under project financing, lenders will give their money on the basis of the project's possible benefits instead of government guarantees.

Analysts said the introduction of project financing will help the industry fulfill its expansion plan.

By the year 2000, the total installed power generating capacity in China is expected to amount to 300 million kilowatts.

That means the country will install 89 million kilowatts of extra capacity between 1996 and 2000. A huge amount of capital is needed to do this.

Although the majority of funds will be raised at home, the effective use of foreign funds is "the necessary complement" to the development of China's electric power industry, said Shi Dazhen, Minister of the Electric Power Industry.

It is estimated more than \$20 billion in foreign funds are needed in the next six years to expand the country's power industry, Shi said.

While traditional sources for foreign capital will not increase by a sharp margin in the future, the introduction of project financing is of great significance.

Negotiations are under way with foreign investors about starting project financing in the power industry although details are not available.

Shi said the country will introduce international bidding to form a competitive mechanism in project financing activities.

Analysts said project financing has promising prospects in China because investment in China's electric power industry, which has been developing quickly, carries few risks.

Investment profits are ensured since the electricity market is quite large and stable.

The one-day seminar was sponsored by the Ministry of Electric Power Industry; the State Development Bank, one of the country's three policy lending banks, and J. P. Morgan, an American investment bank.

The seminar was attended by senior officials from government ministries, provincial power bureaus, power investment corporations and overseas industry professionals.

**Researcher on Difficulties in Lowering Investment**  
*OW1602045995 Beijing XINHUA in English 0426*  
*GMT 16 Feb 95*

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—China is facing great difficulty in bringing down fixed-asset investment in 1995, a government researcher said in an article published here today.

Painstaking efforts need to be made to put a lid on total investment, as planned, according to Zhang Hanya, a senior economist with the Investment Research Institute of the State Planning Commission.

Rapid growth in fixed-asset investment has added to inflationary pressure over the past few years, and a slowdown in investment is essential to halt price hikes this year, he said.

Fixed-asset investment rose 28 percent in 1994, while inflation hit a record high of 24.2 percent.

This year the central government has vowed to reduce the growth rate of investment to 9.7 percent, with the actual scale being 1,700 billion yuan.

Yet, Zhang said, expansionary pressure exists in local governments and enterprises, who continue to ask for more funds to maintain rapid growth.

Banks also want to lend more so as to increase their profits from interest, he said.

In addition, private investment in real estate, which is not subject to state planning, is most likely to expand quickly.

The state has to pursue a strict macro-control policy in 1995 so that the scale of investment will not exceed the planned limit, Zhang stressed.

**Beijing Appoints Foreign Experts to Arbitration Panel**

*HK1602053295 Hong Kong SOUTH CHINA*  
*MORNING POST (BUSINESS POST) in English 16*  
*Feb 95 p 1*

[By Dede Nickerson in Beijing]

[FBIS Transcribed Text] A panel of legal experts has been chosen by Beijing to arbitrate over securities disputes.

Selection was carried out by the China International Economic and Trade Arbitration Commission (CIETAC) and the China Securities Regulatory Commission (CSRC).

Foreign experts among those chosen include are Kenneth Koo of Goldman Sachs; Laura Cha and Anthony Neoh of the Hong Kong Securities and Futures Commission; Sally Harpole of Graham & James; Michael Moser of Baker & McKenzie; Anthony Dicks and Betty Ho of Hong Kong University; Anthony Leung of Citibank; Jerome Cohen, Victor Chu, David Hayden and Pitman Potter.

"If you look at the people that have been selected, there are those who have strong experience in handling arbitration in China and some with a strong background in securities, but few have combined experience," said China lawyer John Kuzmik.

"Hopefully, as time goes by, the two areas of expertise will converge."

Last August, the State Council Securities Policy Committee appointed CIETAC to arbitrate over securities disputes.

The types of disputes that can be settled through arbitration are limited to those among institutions or those between institutions and trading centres. As arbitration normally results from a breach of contract, individuals are excluded from this process.

"We're pretty happy with the decision to use arbitration in the area of securities, as the Chinese courts are not prepared to handle such cases, in terms of knowledge of the securities industry, integrity, fairness and transparency," one Chinese arbitrator said.

To date three cases have been filed, the first of which is being heard. This case involves a dispute between two institutions over underwriting commissions.

As the securities industry in China is still in its infancy, clear parameters over fees in respect to sponsor, co-lead, co-manager and trading commissions have yet to be clearly defined.

The CSRC and CIETAC are developing a standard agreement for underwriting and sub-underwriting. One of the arbitrators hearing the case said: "We can go only by precedents that have been established in the syndication and trading of securities outside China and what we believe to be fair practice."

The arbitrator said that the biggest problem with the arbitration process, whether it be in securities or corporate contract disputes, is in the presentation of evidence.

"The concept of legal ethics is not well established in China. Parties often submit false evidence," he said.

Both foreign and domestic parties prefer arbitration to the courts.

"The courts have never developed their own expertise, personnel or precedence in relation to foreign trade and investment matters," one arbitrator said.

### U.S. Oil Firm Begins Drilling in East China Sea

OW1602035095 Beijing XINHUA in English 2256  
GMT 15 Feb 95

[FBIS Transcribed Text] New York, February 15 (XINHUA)—Chevron Overseas Petroleum Limited has begun drilling the first well in its new exploration area in the East China Sea, U.S. Petroleum company Chevron announced today.

The new area, Block 33/08, is located about 250 miles southeast of Shanghai off the coast of China. Chevron was granted rights to explore the block by the China National Offshore Oil Corporation October 1993.

The "wildcat" well, designated Wenzhou 15-1-1, is located in the south-central portion of Block 33/08. Spudded on February 8, 1995, in water depths of approximately 285 feet, the well is expected to reach its target depth of approximately 6,500 feet by mid-March.

The primary objective of the well is to evaluate lower Tertiary sandstone formations on a large anticline trending in a northeast/southwest direction. Chevron's site is located up-dip from oil shows found in the nearest well previously drilled in the vicinity, approximately 11 miles away. The well is being drilled by the semi-submersible rig, "Nan Hai 5." Chevron plans to drill an additional well in the block later this year.

### Trade With ROK Said To Top \$15 Billion in 1995

HK1602063895 Beijing CHINA DAILY in English 16  
Feb 95 p 5

[By Gao Bianhua: "S. Korean Trade is Thriving"]

[FBIS Transcribed Text] Economic and trade relations between China and the Republic of Korea (ROK) will continue to develop rapidly this year following more than 40 per cent growth in trade in 1994, a Chinese trade official told China Daily yesterday.

Yan Bangsong, a division chief at the Ministry of Foreign Trade and Economic Co-operation (Moftec) predicted that bilateral trade is expected to hit \$15 billion this year, an increase of nearly 28 per cent over 1994.

This coincides with the forecast from Moftec's counterpart in ROK.

Last year, Sino-ROK trade totalled \$11.72 billion, up 42.5 per cent from 1993, according to Chinese Customs.



China's exports moved up 53.9 per cent to reach \$4.4 billion and its imports from ROK rose 36.5 per cent to hit \$7.32 billion resulting in a Chinese trade deficit of \$2.92 billion.

Yan noted that trade balance should be achieved through steadily expanding two-way trade. He urged ROK to increase imports from China.

Yan said many products for import and export between the two countries are overlapping, such as machinery and electronic products, rolled steel, refined oil and raw materials for the chemical industry.

Machinery and electronic products account for a large share in ROK's exports to China. It also exports raw materials for the textile industry, plastic products and raw leather.

The bulk of China's exports to ROK is comprised of cereal, oil and foodstuffs.

Statistics from ROK show that the country's trade with China last year was \$11.68 billion with exports and imports amounting to \$6.18 billion and \$5.5 billion respectively, leaving China with a \$680 million of deficit.

While Yan declined to explain the different statistics of both sides, he said prospects for the two countries to further develop economic and trade relations are bright.

ROK has become China's sixth largest trading partner and ranks seventh in the world in investment in China.

By the end of last June, China had approved 3,584 ROK-funded enterprises involving \$2.97 billion contractual investment from ROK companies. The economic flow into the country stands at \$952 million.

China has the largest number of ROK overseas investment projects in the world. Most projects are located around the Bohai-rim areas including Tianjin City and Liaoning and Shandong provinces. They generally focus on processing and electronic industry.

By the end of 1993, China's direct investment in ROK had surpassed \$10 million in 40 projects.

The two countries have signed agreements on trade, investment, technology co-operation and environmental protection as well as agreements designed to prevent double taxation. Diplomatic relations were established in 1992.

#### **Daihatsu To Maintain Hong Kong as PRC Investment Base**

*HK1602040095 Hong Kong AFP in English 0357 GMT 16 Feb 95*

[FBIS Transcribed Text] Hong Kong, Feb 16 (AFP)—Japanese carmaker Daihatsu Motor (HK) Ltd. said Thursday it would keep Hong Kong as the base for

developing business in China, despite possible restrictions on automobiles in the territory.

In a rare advertisement published in newspapers here, Daihatsu Motor said, "We will continue to do our best in the automobile industry, both in Hong Kong and China," and denied rumours that it was moving out of the territory.

The report came at time when the Hong Kong government was working out a policy to limit vehicles in the territory to ease traffic jams. The plan also included increases in car registration licences as well as a rise in tunnel tolls.

Daihatsu, which has several joint venture projects in China-based carmakers, including Chungwah Shenzhen, Liuzhou Motor, Wendeng Shandong, and Chengdu Sichuan, said its projects in China were all progressing positively.

The carmaker added that it planned to increase its sales of Charade cars to China to 150,000 units annually, under a joint venture with Tianjin China.

Daihatsu also noted that the devastating earthquake in western Japan last month had brought a "very slight" loss to the firm, and its business had been restored to "normal."

#### **Anhui To Promote Export-Oriented Economy**

*OW1602093195 Beijing XINHUA in English 0832 GMT 16 Feb 95*

[FBIS Transcribed Text] Hefei, February 16 (XINHUA)—Zhang Runxia, deputy governor of east China's Anhui Province, said today that the province will exert great efforts this year to boost its export-oriented economy by opening wider to the outside world.

The province registered a foreign trade volume of nearly 1.28 billion U.S. dollars last year, a 32.4 percent increase over the previous year.

Pledged foreign investment totalling 707 million U.S. dollars poured into Anhui during the past year.

The total number of foreign-funded enterprises in the province has so far reached 2,656.

A series of preferential policies will be implemented this year to encourage overseas investment in the sectors of communications, energy and raw materials, and the establishment of a group of Sino-foreign joint-stock firms, Zhang said.

Meanwhile, the province will send delegations to Hong Kong, North America, Western Europe and Southeast Asia to investment possibilities, she added.

The gross domestic product of the province reached 14.85 billion yuan in 1994, up 21 percent over the previous year.

More than 600 projects won approval for establishment last year.

Foreign loans to the province totalled 59.81 million U.S. dollars.

Another 100 foreign trade enterprises will be set up in Anhui this year. The construction of a high- and new-technology development zone in this provincial capital will be speeded up, the deputy governor said.

### Hubei Uses Foreign Capital for Infrastructure

HK1502133395 Beijing ZHONGGUO XINWEN SHE in English 0743 GMT 15 Feb 95

[FBIS Transcribed Text] Hubei, February 15 (CNS)—Hubei Province has made great achievement in construction of infrastructural facilities with foreign capital. The Province totally approved 17 foreign-funded projects with a total investment of US\$ 710 million. This batch of projects were mainly for power, transport, telecommunications, raw materials, textiles, foodstuffs, construction materials and gas supply in cities.

By the end of 1994, the accumulated foreign loans used by Hubei was US\$ 1.23 billion, involving 81 projects. During the past ten years, the Province completed several key projects with foreign government loans: the Qingjiang hydro power plant, the Tianhe Airport in Wuhan, the Changfei optical fiber cable, a project on installation of 90,000 programme-controlled telephones, the Huangshi Clutches Factory and the Yongyang Vehicles Spare Parts Factory. In addition, by making use of French capital, a batch of items were set up including the Shenlong Motor Company and items for water and gas supply, sewage treatment, textiles, chemicals, building materials, electrical and mechanical industry, paper making and food industries. On the other hand, there are various ongoing projects including the Ezhou Power Plant, the Wuhan Yangtze River highway bridge, the Huangshi-Yangtze River highway bridge, the Huaxin Cement Factory, several telecommunications items, the Number 3 Furnace in the Wuhan Steel and Iron Plant and a steel plates factory in Hankou.

The above-mentioned projects will play a very important role in boosting the development of the economy there and opening of the Province to the outside world.

### Agriculture

#### Ministers Stress Agriculture as 'Top Priority'

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[“Make Strengthening Agriculture the Priority of Economic Work—Ministries, Commissions, and Localities on New Measures for the New Year” column, including articles by Agriculture Minister Liu Jiang, Forestry Minister Xu Youfang, Water Resources Minister Niu Maosheng, and Vice Minister of Finance Li Yanling]

[FBIS Translated Text] [Editor's note] The central economic work conference has once again emphasized the need to truly give top priority to strengthening agriculture in economic work. This is a dramatic proof of the importance attached to agriculture by the party center and the State Council. We are delighted to see that, as the spirit of the central economic work conference is being implemented, localities and departments have gone into action one after another to increase input in agriculture and strengthen the status of agriculture as the foundation of the national economy. For the new year, we have created a new column “Make Strengthening Agriculture the Priority of Economic Work—Ministries, Commissions, and Localities on New Measures for the New Year,” with a view to helping promote the understanding of the whole party and the whole country on the status of agriculture as the foundation of the national economy. [end editor's note]

#### [Article by Agriculture Minister Liu Jiang: “Make Vigorous Efforts Toward Prosperity, Strive To Achieve More Positive Results”]

The year 1995 has made its entrance at a time when the economic structural reform of our country is deepening continuously and the national economy is maintaining sustained, rapid, and healthy development. Here, I, on behalf of the Ministry of Agriculture, would like to send festive greetings and give our highest consideration to the 900 million peasants as well as the broad ranks of cadres, workers, scientists, and technicians working in the agricultural sector and express our heartfelt thanks to all departments and all circles of society who have shown concern and support for the development of the rural economy!

The past year, 1994, has been an unusual year. Millions of peasants and the broad ranks of agricultural workers have overcome difficulties, worked strenuously, and achieved new development in the rural economy. The total grain output has hit its second highest level in history, despite a smaller sown area and serious natural disasters; the slippage of cotton production for two consecutive years has been reversed, with a total yield in excess of 85 million dan representing an increase of more than 10 million dan; the yield of oil-bearing crops has reached 18.5 million metric tons, setting a record high; the output of “food basket” products, such as meat, poultry, eggs, milk, aquatic products, fruit, and vegetables, has all increased; the sales and business incomes of township and town enterprises have registered 350 billion yuan, up 35 percent over the previous year; in the whole of 1994, the net per-capita income of peasants is estimated at over 1,100 yuan, representing an increase of approximately 5 percent after price hikes are factored out, which is quite a high rate of increase compared with those of the past few years. The development of the rural economy in 1994 basically achieved the two targets set at the beginning of the year, to steadily increase the effective supply of farm produce and to steadily increase the peasants' income.

This year, 1995, will be the final year of the "Eighth Five-Year Plan" for national economic and social development. It will also be a year for making preparations for the "Ninth Five-Year Plan." The development of the rural economy is facing difficult and onerous tasks. Making a good job of the rural economic work in 1995 is of extremely important significance to the sustained, rapid, and healthy development of the national economy. In 1995, we are expected to accomplish all the targets of rural economic development prescribed in the "Eighth Five-Year Plan;" and, in the meantime, lay a solid foundation for the fulfillment of two strategic goals, namely, to increase grain output by another 100 billion jin, cotton output another 10 million dan, meat output another 10 million metric tons, and aquatic produce another 10 million metric tons and to bring the peasants' standard of living to the level of moderate prosperity by the end of this century. The rural economic work in 1995 should highlight three things: First, to steadily increase grain and cotton production; second, to continue to do a good job of the production of "food basket" products; and third, to promote the development of township and town enterprises in an efficient, sustained, rapid, and healthy way. As for the actual work measures, we must give prominence to the five "substantials:" First, to substantially deepen reform, expand opening up, and protect and mobilize the peasants' enthusiasm for production; second, to substantially increase the peasants' income and raise the capacity of comprehensive agricultural production; third, to substantially strengthen the protection of basic farmland and the environment and strive to increase the acreage of grain and cotton crops; fourth, to substantially rely on science, technology, and education to promote agriculture and expand the role of technology in the rural economy; and, fifth, to substantially strengthen the building of agricultural systems and conduct related work creatively.

In the new year, everything takes on a new look. In the year ahead, we shall, under the leadership of the party center with Comrade Jiang Zemin at the core, blaze new trails in a pioneering spirit, make down-to-earth efforts, and do a good job in all aspects of work diligently and conscientiously, so as to ensure the effective supply of agricultural and sideline products, ensure the steady increase of peasant incomes, help safeguard the overall interests of reform, development, and stability, and keep inflation down.

[Article by Xu Youfang, minister of forestry: "Do a Good Job in the Five Focuses, Speed Up the Development of Forestry"]

In 1994, the development of forestry in our country has made more important progress. The greening of urban and rural areas has maintained a good momentum; another group of provinces and regions have eliminated afforestable barren hills; and the development of the green industry is in the ascendant. The total output value of forestry this year is estimated at more than 180 billion yuan.

The year 1995 is going to be the final year under the "Eighth Five-Year Plan" as well as a year for laying the foundation for the "Ninth Five-Year Plan." The central economic work conference that was recently concluded emphasized the need to truly make strengthening agriculture the top priority of our economic work; to be very determined about increasing inputs in agriculture; and to promote the comprehensive development and prosperity of the rural economy. This will be a very good opportunity for the development of forestry. Strengthening the status of agriculture as the foundation of the national economy implies strengthening the status of forestry as part of the foundation of the national economy. Whether the forests in our country, as the main body of our land ecosystem, are able to make their due contributions to effectively resisting various natural disasters, ensuring the performance of water control facilities and the achievement of stable and high output of agriculture and animal husbandry, and increasing grain yields by another 50 billion kg depends very much on the results of forestry development in the days to come. Forestry departments at all levels must proceed from the overall interests, accelerate the development of forestry, strive to upgrade the development of forestry to another height in 1995, and make due contributions to promoting agricultural development, strengthening the capacity of agriculture to resist natural disasters, adjusting the rural industrial structure, increasing peasants' income, and promoting the comprehensive development and prosperity of the rural economy. Toward this end, it is necessary to focus on the following five aspects in the year ahead.

First, we should continue to implement the program for afforestation and greening, strive to improve the quality of afforestation and greening, and contribute to the improvement of the agricultural ecosystem. It is necessary to center around quality and efficiency, speed up the pace of afforestation, expand the acreage of forests, increase the quantity of forests accumulated, and improve the management of forests. A total of 60 million mu of up-to-standard forests should be created nationwide next year. Continued efforts should be made on the seven key projects of forestry. Regions where there are still afforestable barren hills should concentrate on afforestation and eliminating barren hills, and regions where afforestable barren hills have been eliminated should change the focus of their work and start to consolidate the achievements of greening, adjust and optimize the forestry structure, work toward the national standard for greening, and energetically develop the green industry.

Second, it is necessary to strengthen the protection and management of forest resources in a comprehensive way. Special attention should be given to the control on the cut of forests under a quota system, the management of timberland, and the "three preventions" for forests. It is necessary to strictly control the consumption of forest resources, the reduction of timberland, and the loss of resources.



Third, substantial measures should be taken to promote the comprehensive development of the economy of "two areas," i.e., mountainous areas and sandy areas, which are the two focuses of current forest development. Planning and implementation related to them should be conscientiously and effectively conducted. The development of economic forests should be considered a key project for quickly increasing peasants' income and promoting local economic development. The building of 10 major economic forest development zones and 500 forest base counties should be concentrated on. It is necessary to strengthen the building of experimental and demonstration zones for the technical exploitation of forestry in the "two areas," demonstration counties in developing forestry by means of science and technology, demonstration tree farms (nurseries), and demonstration projects. It is necessary to prepare skilled human resources, especially mainstay technicians at two levels in rural areas, for the comprehensive management and development of the "two areas" in various forms. It is necessary to implement the "enrich-the-mountain plan," i.e., the "National Plan for the Development of Forestry Technology in Mountainous Areas," and help the masses in mountainous areas end poverty and move toward moderate prosperity.

Fourth, the forestry economic structural reform should be pushed ahead with in a comprehensive way. A program and implementation plan should be made for the introduction of the modern enterprise system in forestry enterprises. Forests should be categorized as public welfare forests and commercial forests according to their varied purposes and functions and guided and managed separately. The Forestry Ministry is going to formulate a "Trial Program on the Categorized Operation and Management of Forests" which will be implemented in selected state and collective forest zones.

Fifth, it is necessary to follow the direction of the market, promote the development of the forestry industries and contribute to overall development and the prosperity of the rural economy. It is necessary to study market conditions and the characteristics of forest resources, adjust well the industrial structure and product mix, enhance competitiveness on the market, improve the existing regional markets, establish local wholesale markets and specialized wholesale markets accordingly, integrate in an organic way the market building with the building of bases and processing and utilization, gradually form a new pattern of industrial development that integrates trade, industry, and forestry, and activate the comprehensive development of the entire forestry, forestry economy, and rural economy. The growth rate of forestry industries in 1995 is targeted at over 9 percent with a total output value of 200 billion yuan. The overall effectiveness of forestry shall be significantly improved.

**[Article by Water Resources Minister Niu Maosheng:  
"Increase the Strength of Inputs, Strengthen the  
Development of Water Control Facilities"]**

At the threshold of the new year, I would like, through NONGMIN RIBAO, to convey festive greetings to the

millions upon millions of peasants and all the leaders and comrades engaged in rural work and to express my heartfelt thanks to the governments, departments, units at all levels and comrades who have shown concern and support for the cause of water resources control.

The party center and the State Council have time and again pointed out that water conservancy is the lifeline of agriculture and is the foundation industry and facility of the national economy. Higher yields in agriculture, higher income for peasants, and stability in rural areas all require energetic efforts to boost the building of basic water conservancy facilities. The serious floods and droughts that happened in 1991 and 1994 exposed, once again, the serious vulnerability of the agricultural infrastructure. Floods and droughts remain an important factor that hampers the development of agriculture, the national economy, and society. Therefore, attaching importance to and strengthening the construction of water conservancy works, increasing the strength of input in water conservancy projects, and speeding up the construction of water conservancy works is an important measure for implementing the spirit of the central economic work conference and the national conference on water conservancy. Recently, a series of policies and measures for strengthening the harnessing of major rivers and lakes and the construction of water conservancy works have been promulgated in various localities. More attention has been given to water conservancy development and the inputs have significantly increased. Measures against flooding and drought have been put into practice at all levels. The system of administrative executives assuming responsibility for the construction of water conservancy works has aroused the enthusiasm of cadres at various levels and the millions upon millions of peasants in constructing water conservancy works. Currently, the scale of such construction for the winter/spring season and the results are better than ever.

The year 1995 is the final year under the "Eighth Five-Year Plan" and a year when preparations for the "Ninth Five-Year Plan" should be made. It will witness heavy tasks for reform and development. We undertake to follow the spirit of the central economic work conference, to organize water conservancy departments at various levels to speed up the harnessing of major rivers and lakes, and to strengthen the construction of water conservancy works for irrigation, flood control, water saving, soil preservation, and hydropower supply for rural areas. In order to increase effective supply, we will certainly conscientiously implement the target proposed by the center for increasing grain output by another 100 billion jin and substantially making a good job of agricultural production and the "food basket" project. The water conservancy departments at all levels must resolutely implement the spirit of the central economic work conference and try all possible means to increase the input into water conservancy works; strive to expand the irrigated area; improve medium-yield, low-yield, easily waterlogged, and saline-alkali cultivated land; enhance the anti-drought and anti-waterlogging capacity of the

existing irrigation and drainage equipment through technical transformation that seeks to save water and energy; closely integrate the exploitation of water and soil resources in mountainous and hilly areas with the improvement work in key areas for harnessing soil erosion; energetically develop water supply in urban areas; solve the difficulty in the supply of drinkable water for both humans and animals in rural areas; and promote the building of the rural water conservancy socialized service system.

In the year ahead, we must further organize the broad ranks of cadres and workers on the water conservancy front to conscientiously study Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the documents of the Third and Fourth Plenary Sessions of the 14th CPC Central Committee, further emancipate our mind, change our concepts, and deepen the reform of the water conservancy sector. We should sum up and popularize all kinds of proven reform practices in the contracting, leasing, and joint-stock cooperation related to small-scale rural water conservancy projects, as well as the auction of "five barrens"; change the operational and management mechanisms of state-owned large and medium reservoirs, irrigation zones, and pumping station management units; strengthen the management of state assets in water conservancy works; study, formulate, and improve various laws, regulations, and policies for promoting the development of water conservancy industry and related economy; and try all possible means to increase the revenue of water conservancy facilities. We shall, through those measures, make our contributions to raising the output and quality of grain, cotton, oil-bearing crops, and other agricultural and sideline products, accelerating the building of "two highs and one excellence" agriculture, achieving greater prosperity of the rural economy, increasing the income of peasants, promoting rural and social stability, and serving well the sustained, rapid, and healthy development of agriculture and the national economy.

[Article by Vice Minister of Finance Li Yanling:  
"Increase Input in Agriculture, Do a Good Job of  
Financial Support for Agriculture"]

Agriculture is the foundation of our national economy. Past experience has proven that if agricultural production, especially grain production, was weakened, economic development would surely experience fluctuations. A very important cause of the current reality of persistently high prices on the market and increased inflationary pressure is that agricultural production has once again entered the phase of marking time, and a shortfall has been observed in the supply of agricultural and sideline products. The recent national economic work conference made clear the need to increase the input in agriculture, ensure the supply of agricultural and sideline products, and achieve the comprehensive development and prosperity of the rural economy. In order to

implement the spirit of the central economic work conference, the Ministry of Finance, while making arrangements for next year's budget and financial work, has clearly set out the guideline for strengthening the support from the treasury for agriculture: To truly put agriculture in a very important position; steadily increase the input of funds into agriculture; adjust the mix of funds for supporting agriculture; ensure the timely supply of funds for supporting agriculture; concentrate on supporting the agricultural infrastructure, the popularization of agricultural science and technology, and the building of rural socialized service system; and support the building of suburb nonstaple food production bases with a focus on vegetable production. More specifically, we shall concentrate on the following aspects:

First, we will strive to maximize the input of funds in agriculture. In recent years, despite the difficulty with the state budget, expenditures in support of agriculture have been increasing by a considerable margin every year. Next year, the contradiction between revenue and expenditures in the state budget will still be quite prominent, and a fiscal policy of moderate retrenchment will be applied. But it is necessary to give priority to agriculture in the input of funds by adjusting the structure of outlays, so as to ensure a rather large increase in the funds for supporting agriculture. As far as the central financial facility is concerned, the increase of budget for agriculture next year shall be higher than the growth of revenue, particularly because there will be a significant rise in the funding for comprehensive agricultural development covering the transformation of medium- and low-yield farmland and the development of diversified rural operations. A certain growth rate should also be maintained in the agricultural budget of local financial organs at various levels in accordance with the requirements of the "Agriculture Law."

Second, we shall take substantial steps to ensure the implementation of various policies and measures for increasing the input in agriculture. The party center and the State Council attach great importance to agriculture and have formulated a series of policies and measures for increasing the input in agriculture. The essential thing to do now is to implement all the policies and measures for increasing the input in agriculture. For this purpose, we demand financial departments at all levels, in their work in 1995, firmly adopt the guideline of considering agriculture as the foundation of the national economy; ensure the materialization of the relevant policies and measures; give play to the role of financial departments; and explore and open up new channels for pooling the funds from various sources for greater input in agriculture. In the meantime, they should adopt effective measures and actively guide the rural collective economy and peasants in their effort to increase the input in agriculture.

Third, the focal points in the financial input should be highlighted. The primary problems in agriculture and rural economic development must be overcome. One of

the focal points is to support the construction of agricultural infrastructure, mainly the harnessing of major rivers. It also covers the harnessing of small river valleys for agricultural activity, the construction of water conservancy works, and the protection of the agricultural ecosystem. It is necessary to increase the proportion of agricultural investment in the total investment in capital construction. The second focal point is to give support to the production of grain, cotton, and oil-bearing crops and the building of the "food basket project" in large and medium cities. It is necessary to continue to support the building of grain and cotton production base counties, increase the input in comprehensive agricultural development and support the acceleration of the transformation of medium- and low- yield farmland, and give vigorous support to the building of the "food basket project" in large and medium cities. The third focal point is to support the popularization of agricultural science and technology and the building of the rural socialized service system. It is necessary to support the "two highs and one excellence" agriculture and projects for invigorating agriculture by means of science and technology, such as the "Harvest Program" and rely on science and technology to improve the comprehensive agricultural production capacity. The fourth focal point is to use such methods as provision of working funds for supporting agriculture, provision of work as a form of relief, and provision of lending at discount interest rates subsidized by the treasury to support the development of township and town enterprises in central and western China as well as those in ethnic minority regions. This will serve to promote the rechanneling of rural labor and increase the income of the peasant population.

Fourth, we shall strengthen the management of funds for supporting agriculture and enhance the effectiveness of fund utilization. At the moment, there is a fairly large input in agriculture from various sources and through various channels. But there are still some problems as to how these funds are used. Next year, the financial departments at all levels should address this issue and strive to enhance the effectiveness of fund utilization by strengthening and improving management.

#### **\*State Council Study Views Reform of Rural Economy**

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[Article by the Task-Setting Team in the Research Office of the State Council: "Setting Up a System of Government Functions in Accordance With the Demands of Rural Market Economy"]

[FBIS Translated Text] In the wake of the important policy decision arrived at by the 14th CPC National Congress, China's rural economic reform, like China's nationwide economic reform, has already attained a new stage in the overall establishment of the system of

socialist market economy. Smooth development of a socialist market economy in the rural areas will undoubtedly depend on further efforts in such areas as the construction of the rural market system, etc. However, an equally urgent need in this respect is the shift that has to be effected in government functions, and the setting up of a system of government functions that will conform to the demands of the market economy. We may therefore say that following the deepening of the economic reform, the whole system of government functions will assume an increasingly important role in the development of the market economy. Without a system of government functions that conforms with the demands of market economy it will be impossible to accomplish a relatively mature socialist market economy.

#### **1. The Shift in Government Functions Must Base on the Principle of Developing the Rural Market Economy**

Because government organizations in the past so directly controlled the economy, thwarted the role of the market mechanism, and restrained the innate drive and vitality of economic entities, their negative impact on economic developments had become increasingly serious. Although we may be justified in saying that China, in the domestic realm, has scored huge achievements, there are no grounds for optimism when we view these achievements on an international plane.

The 10-odd years of reform and opening up since the end of the 1970's have already wrought fundamental changes in China's highly centralized planned economy in the rural areas, and, related to this, there have also been visible changes in former government functions. The most remarkable of these changes are: Complete abolition of all mandatory plans for agricultural production and establishment of guidance planning for only a section of important agricultural products, which allows peasants to freely plan production according to market demands and profitability; in the procurement of agricultural products, the gradual abolition of the state's obligation for unified procurement and quota purchases, with the exception of only for a few industrial raw materials, such as cotton, silkworm cocoons, etc., a measure which has obviously brought about a much closer linkage between peasants and market; in the policy governing agricultural production, a shift from one that restricted changes to one that is supportive of rural diversification and nonagricultural production, which creates improved external conditions for opening up new avenues to prosperity for peasants and for the transfer of surplus rural manpower; there is also a constant revision going on of those policies that have had the effect of separating city from countryside. Interregional mobility of agricultural manpower has already become an important way to solve employment problems for peasants in the central and western regions of the country. The buildup of small cities and townships, which relies on development of small village and township industries, is receiving the widest attention from governments everywhere, while the decades-long system of grain rations has



been abolished and the traditional urban and rural domicile registration control system is now undergoing a transformation of unprecedented dimensions. In comparison with the transformation of the entire rural economic structure, government functions in all these respects have not changed nearly as much as ideally expected, but any such changes will certainly be in accordance with the trends of the time, namely toward development of a socialist market economy.

It must be clearly pointed out that a shift in government functions is an inevitable precondition for the development of a socialist market economy in rural areas, and under certain circumstances the way government functions are being transformed may even play an important and decisive role in the development of the rural market economy.

Up to the present, the incongruity of government functions with the demands of the rural market economy is still very serious and is substantially delaying and obstructing development of the rural market economy. Strictly speaking, the transformation of government functions in China is at present still fundamentally in the stage of relegating some authorities of the government. That means that many former restrictive policies that hindered development of a rural market economy have been abolished and some are in the process of being gradually abolished, thereby providing a relatively liberal external environment for the development of the rural market economy. However, we may also truthfully say that a real system of government functions that would actively guide and promote regular development of the rural market economy has in fact not yet been established.

On looking back over the situation during the last few years, we see that the shifting of government functions has to a substantial degree lagged behind in all areas that have had a direct impact on the development of the rural market economy. This lack of action has manifested itself specifically in the following respects:

First, while China has by now decontrolled most agricultural products, peasants working under highly dispersed conditions and now facing a market economy that seems to them an incomprehensible boundless ocean are generally still at a loss about what actions to take. They do not know what to produce and how much to produce, and also do not know whether their products will be marketable and yield a good price. These conditions most urgently require intensified market guidance of the peasants by government agencies, but some departments of the government, having controlled too strictly and too rigidly in the past, have now turned to complete noninterference and disregard. After having stalled for that long, they are now still unable to establish a forceful and effective guidance mechanism and are even less capable of setting up realistic and sound market rules and a regular market order.

Second, agriculture is a basic industry with small profits in itself, but high benefits for society. Under conditions

of a market economy, interest of the general type of investor will turn to nonagricultural production with high profits, while investments in the various key elements of production required for the development of agriculture will become increasingly insufficient and incapable of ensuring the continued stable development of agriculture. Under these conditions, support for agriculture by government agencies will also be affected by unsatisfactory economic returns and will decline. Most local government agencies have time and again reduced the proportion of their investments in agricultural capital construction, and expenditures by public finance agencies on agriculture has also not kept pace with the actual increases in financial revenue.

Third, agriculture is subject to twofold constraints, namely natural factors and market factors. Losses can easily be incurred under the conditions of a market economy, and particularly since the quantity of agricultural products that comes forth is beyond subjective human control, since price fluctuations will generally be very large, and since both buying and selling may each in turn meet with difficulties, agriculture urgently requires protection by government agencies to be rendered by forms of intervention that will conform to the demands of market economy. However, protection of agriculture by China's government agencies has frequently been much delayed and insufficient. Even when year after year harvests were plentiful, peasant income was still slow in rising, and the differential between urban and rural incomes widened sharply and at present obviously exceeds the differential that existed in 1978, which was one year before reform and opening up.

Fourth, a market economy is not tantamount to wanton and unrestrained market competition. To maintain normal operations and a healthy development of the rural market economy, it is absolutely necessary to have government agencies become active in the exercise of macroeconomic regulation and control. China's awareness of the need to enhance macroeconomic regulation and control, one must say, should be very plain and clear, but macroeconomic regulation and control is frequently not timely and effective, mainly because there is a lack of forceful and effective regulatory and control measures, so that no really full-scale system of macroeconomic regulation and control could have come into existence.

Apart from the above-listed four points, it is presently also not yet possible to properly institute in China a social security with substantial content, or law-based administration and other such government functions, not to speak of getting such things actually into operation. All these circumstances explain that the progress achieved in shifting some of China's government functions has been very limited, and we are still very far from attaining a system of government functions that is demanded by a rural market economy. A mature, well-developed market economy demands in its organizational structure the provision of a sound market system

as well as a perfected system of government functions. To this day, China's market economy is not yet meeting the demand for these two fundamental elements, and this indicates that China's market economy is still immature and underdeveloped. Starting out with this kind of an immature and underdeveloped market economy in our attempts to accelerate the shift in government functions, pressing on with the development of the market system, and gradually setting up in China a relatively mature and well-developed rural market economy is the historical task that we are now faced with, a task that is beset with considerable difficulties.

## 2. Main Functions of the Government at the Present Stage of Developing Rural Market Economy

It has to be pointed out that the mentioned maturity and full development of the market economy are generally closely linked and together signify the degree of growth of a market economy. However, the concepts of these two items are not completely identical. Whether a market economy is mature refers mainly to the degree of sophistication of its organization, while the question whether a market economy is fully developed refers mainly to the level of economic development. According to the ideas of the 14th CPC Congress, it will require a period of around 30 years to establish in China a relatively mature system of a socialist market economy, which is obviously a reform target that refers to the degree of development of the necessary organizations. Growth of the market system and the shifting of government functions, as demanded by the development of a rural market economy, must also be comprised within the scope of the overall structural reform.

The period of around 30 years for the establishment a relatively mature system of socialist market economy may be divided into two stages. The first stage is the period up to the end of this century, when the fundamental framework of the organizational system of a socialist market economy will be formed. The second stage will be the period from the beginning of the next century to the year 2020, when the establishment of a relatively mature system of a socialist market economy will be fully completed. Growth of China's rural market system and the shift in government functions must also achieve progress consistent with the overall scheme of structural reform. Presently, we have to emphasize as key concerns the effective accomplishment of shifting government functions during the present stage, as we must also actively promote development of the rural market system.

According to the realities of the situation in China, in the shifting of government functions at the present stage, we can only start out from a direct promotion of economic development itself, which can be summed up in the four terms "guidance, support, protection, and regulation-control."

The first main government function at the present stage is "guidance," namely enhancing guidance with regard

to rural economic development, helping the peasants get on the track of a socialist market economy.

The "guidance" function required of the government during the process of developing a rural market economy is a specific outgrowth of the phase of immaturity and underdevelopment of China's market economy. Countries with highly developed market economies will not only have sets of well-perfected and standardized rules and regulations governing the operations of their market economies, but will also have created whole sets of refined, effectively operating intermediary service organizations run by the local people, with the responsibility of guiding farmers in their entry into the market economy fundamentally being assumed by these intermediary market organization. Government agencies will then mainly exercise administrative control according to law and generally not directly participate in the specific affairs of this kind. Because prior to reform and opening-up China's system had for a long time been a highly centralized planned economy, government agencies relied on administrative measures to directly interfere in the economic activities of the peasants. The intermediary organizations established in the 1950's, such as supply and marketing cooperatives, credit cooperatives, etc., very early changed their character as peasant cooperative organizations and had become mere appendages of government organs; they had also formed factional, departmental interests purely appertaining to the particular departments involved. Because of the special emphasis placed on strengthening diversified economic activities in the form of household operations for a comparatively long time following the initiation of reform and opening-up, and due to the extremely limited scale and widely dispersed nature of the newly emerging nongovernmental intermediary organizations, all formerly existing intermediary organizations, such as supply and marketing cooperatives, credit cooperatives, etc., have not effect been transformed in good time, and, for their part, government-run intermediary organizations, such as agrotechnology promotion organs, etc., have not been effective at rendering agricultural services before and after production and for a time did not possess the ability to guide the peasants toward the market economy. Government organs that had for quite some time played a leading role in the developmental processes of rural areas simply had to assume major responsibility for direct guidance of the peasants toward the market economy track in designated phases.

Following the successive decontrol of markets and prices for agricultural products of all kinds, peasants, with their dispersed modes of operations, were facing the market economy as if it were an incomprehensible, boundless ocean. Restrained by various objective conditions, their economic activities were bound to be afflicted with various kinds of myopia and other deficiencies, traits that could have fatal consequences. Not only would the peasants fail to fully enjoy the benefits of market economy, but they could possibly even do harm to their

own existing interests. Under these circumstances, guidance by government agencies must be directed toward an equilibrium between microeconomic peasant activities and the demands of macroeconomic operations, rendering the peasants capable of fully enjoying the benefits of the market economy. Presently, the most urgent task is effective accomplishment of the following important points:

First, guiding the peasants to start out from the idea of satisfying the needs of the market and of raising economic results. They should be guided to adjust sensibly the structure of rural production and the mix of agricultural products, to develop a highly efficient agriculture that provides greater and better yields, to develop non-agricultural production mainly by means of township and village enterprises, and to achieve gradual optimization and upgrading of the rural industrial structure during the processes of market economy operations.

Second, guidance toward a direct linkage of agricultural production with market requirements; development of an operational system integrating trade, industry, and agriculture; providing a complete and comprehensive system of agricultural services before, during, and after production; use of formal contracts to establish stable contractual production-marketing relationships; guidance toward ensuring the smooth flow of agricultural products and processed products; and producing products that have a ready market.

Third, guiding all village and township enterprises to move as soon as possible in the direction of relatively concentrated and closely related developments, such developments to be organically integrated with small city and township construction in rural areas. Through promotion of the reform of the system of domicile registration in small cities and townships, the process of urbanization of the rural population should be accelerated. The development of tertiary industries should also be accelerated, and infrastructural investments and diversion of farmland for other purposes should be reduced, while the natural environment and the socioeconomic environment in the rural areas should be improved.

In the process of guiding the peasants onto the track of the market economy, government agencies must also pay strict attention to the fostering of the market system for agricultural products and the fostering of intermediary market organizations. Fostering the market system for agricultural products means utilizing the well-developed network of retail markets for agricultural products in cities and townships as a basis, and, as key tasks, accelerating the buildup of wholesale markets for agricultural products, perfecting the system of quality standards and the monitoring system for agricultural products, and setting up well-standardized rules and regulations for market management. It also means expanding the trading volume and coverage of wholesale markets, reducing outside-market wholesale transactions, fully realizing the proper capacities of wholesale

markets, and truly achieving a market system in which wholesale markets form the nucleus. Fostering intermediary market organizations means continuing to support newly constituted intermediary organizations, and pursuing at the same time, as a key task, the transformation of formerly existing intermediary organizations, such as supply and marketing cooperatives, credit cooperatives, etc., by using such forms as cooperative shareholding or similar systems. This will restore the "people-run" character of these intermediary organization, which will then bear direct responsibility toward the shareholder-peasants, distribute dividends according to the number of shares held, and share losses also according to the number of shares subscribed. As a result, these intermediary organizations will no longer represent the interests of government departments, but will represent the interests of the peasants and serve the peasants wholeheartedly. By making good use of the favorable conditions provided by a well-established network of substantial strength, and by cooperating on separate lines with such intermediary organizations as the agrotechnology promoting agencies, and also by, to some extent, combining forces with them, they are to form a socialized service system in agriculture with an even much broader coverage, thereby fully assuming guidance of the peasants in their progression toward a market economy. Following the continuous growth of the market system and of intermediary market organizations for agricultural products, government agencies may then correspondingly reduce their function of directly guiding the peasants toward entry into the market economy, as the government agencies will gradually be replaced in that function by intermediary market organizations.

The second important function of the government at this stage is the "support" function, which means enhancing government support for agriculture and for the rural economy and improving external conditions for agricultural development and for development of the rural economy.

The "support" function of the government for agriculture and for the rural economy differs from the "guidance" function, in that it is long-term and unchanging, one may actually say it is an everlasting function.

Government support for agriculture and the rural economy now mainly shows up as investments in the key elements of production, and among all these investments in key elements of production, the investment of capital funds is the most important form. We may well say that it is to a large degree by investment of capital that government effects support for agriculture and the rural economy. The degree to which support for agriculture and the rural economy is being effected by the investment of capital is indeed the main indicator of the vigor with which the government pursues support for agriculture and the rural economy. In view of the fact that capital investments in agriculture and the rural economy have for many years been particularly low, and have in recent years again tended to decline further, it is necessary to readjust the present capital investment structure



(including investments in capital construction, fiscal expenditure, and credit funds), and it is also necessary to appropriately increase the share of investments allocated to agriculture and the rural economy, in order to satisfy the need for more rapid development of agriculture and the rural economy. Government capital investments must be directed toward those weak links which are of critical importance for the development of agriculture and the rural economy, and which are also beyond the capacity of peasants to take care of. As to investment projects and categories of capital investments, investments should mainly be used to improve agricultural production conditions (including construction of water conservancy work, afforestation, and agro-industries), to promote progress in agrotechnology (including scientific research, education, and dissemination of technologies), and to increase the value of agricultural products (including processing, storage, transportation, and marketing). As to the industries and districts for said investments, they should chiefly be used to promote the economy of the main grain-producing districts and set up exemplary districts of highly efficient agriculture capable of greater and better yields, to accelerate development of village and township enterprises in the central and western regions of the country, and to accelerate such processes in poverty-stricken areas that will enable them to cast off poverty and attain prosperity. All the above-stated areas are obviously weak links in present agriculture and in the rural economy. Only tangible strengthening of the capacity for improvement in these so-called weak links can bring about a substantial change in the overall situation in agriculture and the rural economy, and enable achievement of the objectives which increased government investments are hoping to achieve.

The third important government function at this stage is "protection," which means strengthening protection of agriculture and promoting its continued steady progress.

As in the case of the government's "support" function with regard to agriculture and the rural economy, the "protection" function is also an permanent government function. One of the effective ways of preventing or mitigating the frequency and extent of fluctuations in agriculture is to have the government render necessary protection for agriculture and provide agriculture with a relatively smooth and stable market environment. It has to be pointed out here that the government functions of protecting and supporting agriculture each have their own important role to play. The important point in the "support" function is strengthening the capacity of agriculture to promote its own development, which is somewhat closely related to safeguards against natural risks. The important point in the "protection" function lies in enhancing the external market environment, which is closely linked with defense against market risks. Even under the system of a planned economy, there has existed in China a support function of the government concerning agriculture, but this function has now assumed new meaning under the conditions of a market

economy, while the government's exercise of the protection function for agriculture has only begun after the government's shift to the system of a market economy. As far as China is concerned, this it is therefore indeed a completely new thing which requires much more exploration and study.

In view of the fact that China at present is a developing country and financially weak, it can only exercise protection of its agriculture to a limited degree of scope, form, and extent, i.e. it can only implement a policy of limited protection. What we here call a policy of limited protection means that selections of the scope, forms, and extent of protection have to limit themselves to what can maintain normal development of agriculture and to what the strength of fiscal finance will permit. As far as the scope of protection is concerned, such protection can only be extended to a small number of important agricultural products that are significant for the national economy and for the people's livelihood. Apart from the fact that grain must be afforded preferential protection, choices have to be made among the other important agricultural products, such as cotton, edible oil, sugar, pork, mutton, and rubber, of those that most urgently require protection. As far as the forms of protection are concerned, the most important is the adoption of price protection, which means setting up a system of protective prices, supplemented as far as possible by other protective measures. As far as the extent of protection is concerned, this must be neither too high nor too low. Too high an extent will not be permitted by limited financial resources, and too low an extent will not achieve the purpose of the protection. The most appropriate extent of protection will be arrived at by determining protective prices on the principle of cost plus a narrow margin of profits. If financial capacity permits, the state's procurement prices may be higher than the protective prices, i.e. determined according to cost plus average profits.

Apart from price protection, other measures to protect agriculture are at the present stage necessary as well as feasible, and among these the most urgent ones are protection of arable land and development of agricultural insurance. Protection of a sufficiently large acreage of arable land is an essential prerequisite for the development of agricultural production. China's population is almost 1.2 billion and will still increase in the next few decades. The area sown to grain must not be less than 1.65 billion mu, to cotton not less than 85 million mu, and a correspondingly large acreage must be maintained for vegetables and other agricultural products. This protection of arable land is an important measure within the overall area of protection for agriculture. As a safeguard against market risks, a fund has already been established as insurance against grain-growing risks, but it seems no progress has yet been made in the insurance for agricultural production as a safeguard against natural risks, and this matter should be given serious attention. The fundamental objective of insurance of agricultural production is to ensure its smooth continuation, and this

is characterized by low economic returns (even losses) for itself, but high social benefits. It should be treated as a policy-related insurance business, and as such will have to be supported by state finance. With the gradually growing financial strength of the state, the scope of protection for agriculture will gradually be broadened, the forms of such protection will be increased, and the extent of such protection will be enhanced.

The fourth important government function at the present stage is the "regulation and control" function, which means strengthening and improving macroeconomic regulation and control, and ensuring normal operations of the rural market economy.

Macroeconomic regulation and control is the essential guarantee for development of the market economy. That means that development of market economy is essentially bringing the fundamental role of the market into play in the distribution of resources under the state's macroeconomic regulation and control. Compared with the system of a planned economy, the system of a market economy has of course great advantages, but it is also not by any means flawless. The completely unrestrained, free development of a market economy is bound to lead to wide-ranging indiscriminate proliferations, and as a consequence to extremely large fluctuations in economic operation, which in turn would result in serious damage to social productive forces. This would make it necessary to resort again for help from what was useful in the system of planned economy, namely having the state exercise macroeconomic regulation and control of the market economy. If we say that there is to be planning in the market economy it means that such planning is realized by means of macroeconomic regulation and control.

The following measures of macroeconomic regulation and control are urgently needed in China at the present stage:

First, a reserve and regulatory system for agricultural products. Apart from normal revolving stocks held by commercial enterprises and stand-by stocks held by local governments, the central government should maintain a certain amount of special reserves of such important agricultural products as grain, cotton, edible oil, sugar, pork, mutton, and rubber. These reserves would be useful at times of readjustment, by either being sold or additionally bought up when fluctuations occur in the supply-demand relations in the market, to ensure normal operations of the market economy. To be able to effectively carry on this policy-related activity, it must be held separate from commercial business, must form an independent system from top to bottom, and the agencies entrusted with the adjustment of these reserves must be granted certain import-export powers and powers of regulating and controlling the market, which would be beneficial for the fullest utilization of the advantage of transferring resources in domestic and foreign markets and for promptly and effectively holding down to a minimum any fluctuations on the domestic market.

Second, an agricultural risk fund. The source for this fund is to be the revenue of the central and local governments; their fiscal budgets should contain provisions for such. In the near future, since prices have now been decontrolled, funds formerly allocated for financial subsidies could be the foundation for this risk fund, which may later be gradually increased according to need. The scope within which the risk fund is to be used must be strictly delimited; it must only be used in the market to regulate and control losses that have arisen in policy-related business and must, under no circumstances, be extended to use in cases of losses arising from commercial business.

Third, policy-related banks in rural areas. The functions of policy-related banks in rural areas is different from the business objectives of commercial banks in that they only grant credit to satisfy the needs of policy-related business designated as such by the government. Their needed capital is mainly raised by issuing financial bonds to commercial banks, the differential in the interest rates of the credits is to be settled by fiscal subsidies.

### 3. Continued Advance Toward a More Perfect System of Government Functions

The system of government functions which comprises "guidance, support, protection, and regulation and control" conforms with the demands of the developing rural market economy at the present stage. Starting out from the need to promote the rural market economy, it is certainly necessary at present to establish at an early date a sound system of government functions and to strive for the effective achievement of this objective still within the remaining years of this century. However, we must also be aware of the fact that the system of government functions at present is still imperfect, and that much of it is of a temporary character. With the continuing development of the rural market economy, certain deficiencies of the present system of government functions will gradually be exposed, and this will lead to even higher demands being imposed on the system of government functions. It is therefore necessary that this system, while taking the present system as basis, continue to advance toward the more perfect target of a second stage to conform to the objective demands of the further advances that will occur in the rural market economy.

Shifting the government function from one of merely guiding the peasants toward immersion in the market economy to one of administrative control according to law is an important characteristic of the second stage of development of the system of government functions. Guiding the peasants onto the track of the market economy was, after all, originally meant as a temporary function in the buildup of the government system at the present stage. In countries with well-developed market economies, the task of directly guiding the peasants onto the market economy track was assumed by intermediary service organizations, and the relevant function of the

government was then only one of exercising administrative control. Due to the special socioeconomic environment in China, development of intermediary service organizations and of markets for agricultural products was seriously delayed. At the present stage, getting the peasants to join in with the market economy to a large extent requires supplemental application of administrative force, and the government cannot but directly assume responsibility in this respect. Only with the later continued improvement in the development of intermediary service organizations and the market system for agricultural products will government agencies correspondingly reduce their function of directly guiding the peasants toward entry into the market economy, and only then will they then also gradually strengthen their function of administrative control according to law, indeed, only then will they actually attain the transformation from one to the other. Assumption by the government of administrative control according to law is not tantamount to relinquishing the government's responsibility to guide the peasants toward market economy, but means that the government will carry out this responsibility only indirectly in some new forms. What will change in these respects is not the inner essence, but merely the form of government guidance.

By administrative control according to law we mean that government agencies will go one step further and turn away from directly organizing market subjects and, in particular, abandon the direct control of state-owned enterprises, and will rather exercise standardized administrative control over all market subjects according to a relatively well-defined set of market rules and regulations, and initiate market competition on equal terms and in good order. A market economy is in fact an economy based on rule of law. Government guidance of the peasants toward a market economy is then something that appears as contained within the function of administrative control according to law, namely as guiding the peasants and setting norms for them by legal means. It must be admitted that this change in government function is an historical advance, as it will also be an important indication that China's rural market economy will have moved on from a state of immaturity and underdevelopment to a state of relative maturity and development. To achieve this evolution in government functions it is necessary to accelerate economic legislation and the buildup of the law enforcement contingent, also, within the remaining years of this century, initially to shape a framework of a legal system relevant to development of the rural market economy, to create the essential preconditions for the advent of the second stage in the development of government functions.

Continued strengthening of the functions of support for production, of protection of agriculture, and of regulation and control of the market is another characteristic of the second stage in the development of the system of government functions. With the increasing strength of the national economy and improvement of the overall

environment of the market economy, government agencies will be able to concentrate even greater financial strength primarily for the benefit of basic industries, such as agriculture, which had been kept in an unfavorable position by general market competition. Because financial strength will increase, the government is bound to correspondingly strengthen its function of developing the rural market economy. The "strengthening" referred to here comprises both adding content and greater force. As to adding content, the government will add some new items in all these areas of supporting production, protection of agriculture, and regulation and control of the market, according to the demands that will be posed by the continuing development of the rural market economy to further expand the role played by government functions. As to the greater force, the government will also, according to need, step up its intervention in all these areas—support of production, protection of agriculture, and regulation and control of the market—in order to provide even more reliable assurance for the normal development of the rural market economy.

Efforts in both directions—the adding of content and the deployment of greater force—will most evidently impart much strength to the second stage of development of government functions and the rural market economy. Specifically, there could be some readjustment of key points in the government's support of agriculture and the rural economy, but with regard to the scope and strength of government support, there will only be increases. As to certain weaknesses in agricultural performance and the rural economy, such as dissemination of agrotechnology, vocational agricultural education, economic development of the main grain and cotton producing areas, and development of village and township enterprises and of backward regions in the central and western regions of the country, government agencies will have to extend even more substantial support than it is extending at present. With regard to the function of protecting agriculture, government agencies must not only intensify their price protection for grain and other such items, but must also appropriately expand the range of agricultural products that receive price protection. They must also improve the system of supervising and controlling prices for key agricultural products and for the means of agricultural production, to ensure greater material benefits for both producers and consumers, further improve and perfect protective measures other than price protection, and thus institute a relatively comprehensive system of protection for agriculture, the key components of which are:

First, establishment of an agricultural insurance system of much extended content. While continuing to improve the insurance system of the present stage, which favors insurance of items of agricultural and livestock production where natural risks are low and profitability is high, there has to be an increase in policy-related agricultural insurance, which means effecting, with backing from



public finance, particularly increases in the risk-compensating capacity for bulk agricultural products, such as grain and cotton, where profitability is low and natural risks are high.

Second, improving the system of agricultural standards and the monitoring system, both mainly concerned with the grading of agricultural products, setting up a full-scale system of quality checks and controls for agricultural products and for agricultural means of production, and ensuring that operations at all the various stages—production, processing, storage, packaging, transportation, and marketing of agricultural products—conform to standards prescribed by the state.

In case of the "market regulation and control" function, it is equally necessary to adopt corresponding measures of reinforcement. Along with the continued perfection of the system of stockpiling special reserves of grain and additional stockpiling of reserves of cotton, edible oil, sugar, pork, mutton, and rubber, priority must also be given to the strengthening of the "market regulation and control" function of the central government, to ensure the earliest formation and effective operation of a large integrated, open, competitive, and well-ordered national market. In accordance with the greater variety of products for which special reserves will be stockpiled, and in accordance with the need for regulation and control of the market, there should be set up a corresponding fund for agricultural production risks. The scope of business of agricultural policy-related banks will be appropriately expanded, so that agricultural items, which are to be preferentially supported by the government, will be assured of adequate funds. Simultaneously with the said three measures of regulation and control—the system of stockpiling reserves of agricultural products, the fund for agricultural production risks, and the agricultural policy-related banks—one should start out from the actual need of improving the state's macroeconomic regulation and control in an exploration of new methods of regulation and control.

Increasing the social security function is also an important characteristic of the second stage in development of the government's system of functions.

Adding a government social security function responds to the demand for a social security system in China. A social security system is mainly made up of retirement, unemployment, and health insurance. Even if establishment of a social security system for rural areas can only be gradually attempted several years in the future, what has to be resolved as a priority item is, of course, the problem of support in old age, which has been a problem of grave peasant concern throughout the centuries. Necessary funds for the insurance system will mainly be raised by means of insurance fees from the peasants individually and by contributions from the various economic organizations in rural areas, needfully supplemented by state finance, and particularly also by local finance. Part of it may also be raised by soliciting

contributions from the general public. On this basis, a system of fund management will be initiated, and risk-free increases of the fund could be achieved by the purchase of treasury bonds to safeguard the legitimate rights and interests of the insured at the time payments will be required. The main functions of the government in connection with the social security system are: Instituting investigations and research and formulating insurance rules and regulations, determining and perfecting rules and regulations for its management, fostering and perfecting the social insurance organization, arranging for budget provisions for its financial support, step by step promotion of social insurance activities, and exercising supervision over the insurance system. In sum, the overall establishment of the social security function would indicate that the system of government functions has entered a phase of considerable maturity, although it would still not be possible to say that it would fully meet all demands of the developing rural market economy. Because the development of the rural market economy is an eternal, nonstop, mobile process, establishment of a government system of functions will only keep abreast with the necessary conditions of this mobile process. Whether it will be able to completely accommodate the future demands of the developing rural market economy will still depend on actual future operations of the system of government functions.

#### **4. Development of the System of Government Functions Demands a Deepening of the Reform of the Government Organization**

A system of government functions has come about by the coordinated and effective operations of the government organization. The decisive factor that will determine whether it will be possible to effect a smooth transformation of government functions during the period of transformation from the system of a planned economy to the system of a socialist market economy will not only be the designing and actual formation of a system of government functions themselves, but rather whether the setup of the government organization will be found suited for such a transformation.

Reform of the government organization is a piece of system engineering which has an impact over a very extended area and an extremely complex content. Within it, the reform of that government organization which is directly linked to the rural market economy is only one of the subsystems. This means that reform of that part of the government organization which is directly linked to the rural market economy must keep in step (at least more or less) with progress being made in deepening reform of the entire government organization. One should definitely avoid any precipitate single-handed action which would lead to an overall state of disharmony and even to a proportionate weakening of government administrative agencies for rural affairs. It has to be realized that although the hoped-for objectives of the reform of government organization are clear and definite, namely to meet the demands of the developing

socialist market economy, the concrete design and plan still requires further exploration and perfection. For the reform of that part of the government organization with which we are here concerned, and which is directly linked with the rural market economy, we can also only set forth some general ideas on certain important points that should have our special attention:

First, during the period of deepening the reform, government administrative agencies for rural affairs must be proportionately strengthened. One of the fundamental means of reforming government organization is simplifying its administrative structure. This is an absolutely necessary change for any government organization that is excessively inflated and has a large redundant staff occupying its offices. It has been so in the past, and it will be the same in future. Industries of high profitability must increasingly use the market mechanism and increasingly bring the role of nongovernmental intermediary organizations, such as trade associations, into play. Government should mainly restrict itself to effectively establishing an overall equilibrium and content itself with macroeconomic regulation and control. Its organization could be relatively centralized, and there should be no need for too many departments with administrative functions. Agriculture, with its low profitability but high social benefits (including forestry, animal husbandry, fisheries, as well as water conservancy, agricultural technology, meteorology, etc.), must also, as far as possible, use market mechanisms and bring the role of nongovernment intermediary organizations into play, while government organizations should equally achieve all necessary retrenchments. However, government, on the other hand, must increase its support of agriculture to remedy the unfavorable situation that agriculture had occupied in the past within the general market competition. One of the countermeasures that could be chosen would be to retrench, abolish, and merge proportionately less those government organs that administer rural affairs and have them gain proportionately greater strength through the deepening of the reform, which in effect would be beneficial for more effective government action in fulfilling those functions which it should indeed take on in rural affairs.

Second, we must as far as possible reduce situations where administrative directives for agricultural work emanate from a variety of different offices. One evil of China's government organization is that there is too much overlapping of functions between different departments, which results in mutual disputes and low efficiency, which in turn delays implementation of policy decisions. This is particularly evident in rural affairs where certain measures, decided upon long ago as matters of policy, are long delayed before they are actually implemented, and where it is also impossible to fix administrative responsibility. To be sure, it is unrealistic and unfeasible to have only one department handle all agricultural affairs, and division of labor and cooperation between different departments will always have to go on. However, the overlapping of functions and the

issuing of administrative directives from a variety of different offices must be reduced as far as possible, since this is indeed something on which some effort must be expended and also something that can indeed be accomplished. The fundamental way of achieving this objective is to draw on the useful experiences of countries with well-developed market economies during the entire process of reforming China's government organization. With the gradual progress in the development of a socialist market system, and through retrenchments by abolishing and merging offices, we must continuously reduce superfluous and overly detailed government departments, maintaining only essential functional departments in charge of economic affairs, and must endow these with relatively comprehensive administrative functions. One may consider using an administrative method of "stripping and slicing" to allow those departments which assume comprehensive administrative functions a stronger voice in the utilization of capital funds and resources, further implementing the principle of combining responsibility with corresponding authority to raise efficiency in all government agencies, including those in charge of rural affairs.

Third, we must implement a system of integrated administration of agricultural food products. Special characteristics of agricultural food products are that they are fresh, tender, and very perishable. This objectively requires integrated systems of handling and management (usually referred to as integration of trade, industry, and agriculture, or integration of production, supply, and marketing) during the various stages of production, processing, storage, packaging, transportation, and marketing. Because administration of the various stages of production, processing, circulation, etc., of agricultural food products is in China split up among separate administrative functions, multiplicity in this administrative system is an extremely obstructive impediment to the process of integrating the system of operations. To accelerate achievement of the desired integration it is necessary to exert efforts toward promoting integration of administration. Countries with well-developed market economies have already implemented early on integration of administration in their government organizations, i.e., assigned all affairs in connection with production, processing, and circulation of agricultural food products to one functional government department to administer. In China too, all affairs in connection with production, processing, and circulation of agricultural food products should be assigned as soon as possible to one functional government department to administer. It should specifically be considered to concentrate and combine the functions of the Ministry of Agriculture, administering production; the Ministries of Civil Affairs and of Commerce, administering circulation; and the light industry system of administering processing, to form one functional government agency, similar to the agriculture and foodstuffs industry ministries in countries with well-developed market economies. Realizing

this objective in the reform of the government organization would not only be beneficial to development of the rural market economy, but would also enhance the state's capacity for macroeconomic regulation and control, and would definitely make the government organization incomparably superior to what it presently is.

### **Nanjing To Set Up Grain Shops To Control Prices**

HK1602103395 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1043 GMT 3 Feb 95

["Nanjing To Set Up 100 Grain Shops To Serve the Policy of Curbing Grain Prices"—ZHONGGUO TONGXUN SHE headline]

[FBIS Translated Text] Nanjing, 3 Feb (ZHONGGUO TONGXUN SHE)—Nanjing will set up 100 grain shops to serve policies in the first half of this year. These grain shops will be financially subsidized, and they will undertake the heavy responsibility of government regulation and control of the grain and edible oil market.

It has been learned that the purpose of the current reorganization of the grain and edible oil supply structure is to ensure that the rice bags of residents will not be affected by market fluctuations. These 100 grain shops will practice rationing in their supply for urban and rural residents, students of colleges and universities, and garrisoned Army units. A person concerned said: These 100 grain shops will receive financial subsidies, and will have advantages in terms of scale. The prices set by them will be lower than those at trade fairs. They will play the role of curbing price increases. One of the persons in charge of the city grain bureau also said: These 100 grain shops will supply grain and edible oil strictly in accordance with quality standards, and will never sell poor-quality grain or oil.

At present, there are 210 state-owned grain shops in Nanjing, and the grain they supply for residents accounts for only half of the total on the market. Through carrying out unified reform, using unified signboards, setting unified prices, and carrying out rational distribution, these 100 policy-serving grain shops will become chain shops, and their supply will account for about 70 percent of the total on the market.

### **Sichuan Governor Addresses Agricultural Bureau Heads**

HK1602093795 Chengdu Sichuan People's Radio Network in Mandarin 2300 GMT 12 Feb 95

[FBIS Translated Text] At the provincial conference of agricultural bureau directors, which ended yesterday, Governor Xiao Yang said: To develop agriculture, we should protect the peasants' interests once and for all so that the broad masses of peasants will get prosperous as quickly as possible. This is the main task of rural work.

He said: We should attach importance to agriculture; persist in putting it in the first place of all our economic work; effectively protect cultivated land; stabilize the area of land sown to grain; vigorously popularize applied agricultural technology; and try by every possible means to reap a bumper harvest of grain, cotton, edible oil, and other main agricultural products.

When talking about the present agricultural work, Xiao Yang said: The task is very arduous this year. The provincial party committee and government have determinedly increased input in agriculture, and have carried out agricultural infrastructures in a down-to-earth manner. He urged all localities and departments to manage and use agricultural funds properly, using them in the construction of agricultural infrastructures, in the comprehensive exploitation of agricultural resources, and in the construction of agricultural production bases; to readjust the rural industrial structure; to create strong points by relying on science and technology; and to build 43 grain and cotton production cities, 50 Spark scientific and technological demonstration counties and townships, and 20 to 30 Spark demonstration enterprises.

### **Guangxi Sets Grain Output Target for 1995**

95CE0272B Beijing NONGMIN RIBAO in Chinese 14 Jan 95 p 1

[FBIS Summary] In 1995 Guangxi has set a grain output target of 29.95 billion kilograms, and the grain area will be 3,666,700 hectares. In 1995 per capita farmer net income in Guangxi will reach 1,095 yuan, about a 5 percent increase over 1994.

### **Henan Reports Cotton Procurement**

95CE0183Y Beijing NONGMIN RIBAO in Chinese 25 Jan 95 p 1

[FBIS Summary] As of 25 January, Henan Province had procured 257,056 tons of cotton, fulfilling 44.71 percent of the task.

### **Jiangxi Reports Grain Procurement**

95CE0272C Beijing NONGMIN RIBAO in Chinese 24 Jan 95 p 1

[FBIS Summary] As of 31 December, Jiangxi Province had procured 4.56 billion jin of grain, of which 3.76 billion jin were contract orders, fulfilling 96.9 percent of the annual plan.

### **NONGMIN RIBAO Reports Tianjin Farmer Income in 1994**

95CE0272D Beijing NONGMIN RIBAO in Chinese 14 Jan 95 p 1

[FBIS Summary] In 1994 farmer net income in Tianjin reached 1876 yuan, an increase of 283 yuan over 1993.



**\*Article Views Farm Machinery Industry Situation**

95CE0224A Beijing JIDIAN RIBAO in Chinese 6 Jan 95 p 3

[Article by Wang Bin (3769 2430) and Hu Weimin (5170 3634 3046): "Current Situation in Farm Machinery Industry: Problems and Proposals for Development"]

[FBIS Translated Text] Not long ago, our reporters accompanied comrades of the Ministry of Machine Building Industry and the Jilin Provincial Department of Machine Building who were conducting a relatively comprehensive survey of the manufacturing and marketing sector of the machine building industry. During this period, they visited five farm machinery manufacturing plants, including the Changchun Tractor Plant, and talked with comrades of the department of agriculture and the farm machinery bureau in Jilin Province and the managers of the eight farm machinery companies in three northeastern provinces. Meanwhile they also went to the Liufangzi Township of the largest grain-producing county, Gongzhuling City in Jilin Province, and called on local specialized farm machinery households. They gained a better understanding of the situation and problems in the farm machinery industry. They also heard views and suggestions from people in the farm machinery business. Here we summarize their views and suggestions for the reference of the departments and comrades concerned.

**I. Current Situation in Farm Machinery Industry**

From the overall point of view, the farm machinery industry has languished in the past several years. According to a JINGJI RIBAO report, China's total farm machinery output value in 1993 amounted to 47.627 billion yuan, marking a drop of 17.39 percent over 1992, although this figure also included the output value of nonfarm machinery products manufactured by the farm machinery plants in the country. Most of the farm machinery plants in the country are faced with operational difficulties. A considerable number of such plants are manufacturing nonfarm products. Let us take Baicheng Prefecture, Jilin Province, as an example. There were more than 10 farm machinery enterprises in the prefecture. Right now, only one of them has survived, while all other enterprises are producing parts and accessories for motor vehicles. The sowing machinery plant in Gongzhuling City was an enterprise specially designated by the Ministry of Machinery Building Industry, but it has now switched to the production of car locks. This situation is mainly caused by the following three factors:

1. Enterprises failed to understand the changes in supply and demand in the farm machinery market after the reform of the rural economic system. They lack market economic concepts. They are too slow in adjusting their product mix and reforming themselves. They are unable to keep pace with the rapidly developing rural economy and market changes.

2. Prices of farm machinery products have remained low for a long time. The burdens of farm machinery plants are heavy, and their production efficiency is low. Their production technology remains backward and equipment outmoded. With an extremely low profit margin, they can hardly improve and develop themselves. Even if they introduce advance technologies from foreign countries, they can hardly absorb and make full use of them to carry out batch production. They are faced with difficulties in recovering their capital investment.

3. Farm machinery plants are constantly short of funds, and they are plagued by triangular debts. In the production of farm machinery, plants have to carry out production all the year round, but their sales are only seasonal. Capital turnover is slow, while investment is large. Moreover, most of the intermediate agencies in farm machinery sales are farm machinery companies with accounts in the Agricultural Bank of China, while farm machinery manufacturers maintain accounts with the Industrial and Commercial Bank of China. The procedure of settling accounts between the two banks is complicated and time-consuming. This has aggravated the situation of fund shortages in various enterprises and made them to pay more bank interest.

Since the beginning of the last quarter of 1994, the state has paid full attention to developing agriculture and increased agricultural loans. Grain prices have increased, and good harvests have been reported in most areas. No more white IOU slips are issued to farmers. The situation in the production and sales of farm machinery has taken a favorable turn. The supply of small four-wheeled tractors almost falls short of demand. The output of small tractors of the Changchun Tractor Plant in 1994 rose by 85 percent over 1993. The farm machinery company in Taonan City, Jilin Province, sold 1,800 small four-wheeled tractors between January and November in 1994, while it only sold 700 of them in the whole year of 1993. This situation is expected to extend into 1995. At an order-placing meeting held in July 1994 in Jiangsu, contracts for 1995 totaling 10.08 billion yuan were signed, a net increase of 49.97 percent, or 3.36 billion yuan, over that in the previous year. The amount of transactions at the 1995 order-placing meeting for farm machinery in Fujian Province also rose 20.28 percent over 1994.

Right now, the farm machinery market also has great potential to develop itself. With the development of the rural economy, peasants generally have the desire to go for mechanization in farming. Managers of farm machinery companies said that two trends have begun to prevail in the countryside. The first trend is improvement of farm technology. In fact, this is the beginning of large-scale farming. It will inevitably demand more farm machinery. The second trend is the turning of draft animals into products instead using them as a productive force. A considerable number of oxen and horses are fattened because they will become meat on the meat market. Many farmers want to do three things if they

have money. They like to buy small tractors, build new houses, and get married. They often prefer to buy small tractors first. Small tractors enjoy a significant status in the rural political and economic life. They can be used as farm machinery and as a means of transportation. They are a symbol of economic affluence. Therefore, many young people give high priority to small four-wheeled tractors over marriage, refrigerators, and color television sets. There are some young people who knew that their parents have such tractors, but they like to have their own. On many occasions, there are two small four-wheeled tractors in a single family.

## II. Problems Hampering Development of Farm Machinery Industry

While favorable signs have begun to show up in the development of farm machinery in rural areas at present, there still remain problems and contradictions impeding development of the farm machinery industry. We must solve such problems and contradictions as soon as possible. In addition to the aforementioned three reasons, which can be attributed to the difficult situation in the farm machinery industry, there are other reasons.

1. Prices of farm machinery products have gone up too fast, and they cost too much. Most peasants cannot afford to buy them. For example, a chain-type tractor with the necessary attachments cost about 40,000 yuan several years ago. It now costs 110,000 yuan. The price will continue to rise. Even so, most farm machinery enterprises are operating in red. This is mainly because of the sharp rise in raw materials, wages, taxes, and other production expenses. For example, the Changchun Tractor Plant has adjusted the price of its small four-wheeled tractor five times within a short period from 7,200 yuan to 9,500 yuan for each tractor. Even at that price, the plant only makes several hundred yuan out of each tractor. All this has not only dampened the enthusiasm of the manufacturing plant but also thwarts peasant desires to buy farm machinery.

2. The expense of using farm machinery and implements is too high. Peasants cannot afford to use them. Let us take diesel fuel as an example. The cost of a ton of diesel fuel used to be slightly more than 400 yuan. Now, it costs approximately 2,200 yuan a ton. The price of accessories and attachments is becoming higher and higher. Peasants now have to pay over 30 yuan for a fuel-spraying nozzle which only cost 7 yuan before.

3. Peasants cannot afford to pay so much in taxes. Those who have tractors often use them for farming during the busy farming season, but they use them as means of transportation during the slack season. However, the current various types of taxes have greatly eroded peasant income.

4. The development of the farm machinery industry and peasant demands are not synchronized. At present, farming is still carried out by individual families. Therefore, farm machinery with the small four-wheeled tractor

as the core is more popular. However, peasants generally believe that the 12-horse power tractors now in mass production is not powerful enough, while the production and supply of the 18.25-horse power tractors they want are insufficient. Meanwhile, small farm implements and tractor attachments suitable for single family operation in sowing, cultivation, and threshing are in serious shortage.

5. The development of farm machinery fails to keep pace with the advancement of agricultural technology. Let us take the sowing machine as an example. New agricultural technology demands the simultaneous application of the nitrogenous, phosphate, potash and zinc fertilizers. However, the old sowing machines in use at present fails to meet this requirement. The acreage of paddy rice fields using machinery for planting has shrunk in recent years, because the old rice transplanters are unable to keep pace with developing farming technology.

6. The development of farm machinery is unable to meet the requirement of increasing the overall economic efficiency in farming. For example, a chain-type tractor costs nearly 80,000 yuan, but it can only be used for two months each year during spring cultivation and autumn plowing. Its rate of utilization remains low, and the investment is not worthwhile. Therefore, peasants hesitate to buy expensive farm machinery. There exist similar problems regarding other farm machinery and implements.

## III. Views and Proposals on Developing Farm Machinery Industry

1. Due to low peasant purchasing power and insufficient effective demand at present, we suggest that the state give peasants subsidies and low-interest loans to buy farm machinery, particularly large and medium-sized farm machinery and implements; it should also set a policy to help overhaul and repair such machinery and implements and defray a part of expenses for fuel and maintenance so that peasants can afford to buy and use farm machinery and implements. Right now it is not that there is no market for medium-sized tractors, self-propelled combine harvesters for grain, and other farm machinery products. Peasants simply cannot afford to buy and use them. This has limited the market demand and affected the development of farm machinery.

2. In view of the rapid changes in the farm machinery market, the strongly seasonal character of farm work, the long production cycle and the large amount of investment needed, a special funding project should be developed at the national and provincial levels for the promotion of farm mechanization. The state policy-oriented banks should provide farm machinery enterprises with low-interest loans on a priority basis as circulating funds for the production of farm machinery and implements.

3. In light of the increasing tax payments of farm machinery enterprises after implementation of the new tax system, we suggest reducing the value-added tax rate

for complete farming machines from the current 17 percent to 13 percent, a rate which is about the same level as the one prior to the tax reform.

4. In view of the relatively heavier financial burden of farm machinery enterprises, we suggest turning the part of debt incurred by enterprises when the state changes its appropriation into loans of national capital to further reduce the burden of these enterprises.

5. Besides serving agriculture, farm machinery enterprises must become mainly agriculture-oriented, but they must not stubbornly cling to producing farm machinery and implements only. They should strive to increase production and expand their scope of business, and energetically develop new products with similar manufacturing technologies. They must develop a "cross-shaped" economy. Vertically, they should turn out a series of products, while horizontally they must produce more varieties. Only by so doing, will it be possible to adapt themselves to changes and have plenty of room for manoeuvre and to avoid collapsing when the market changes.

6. Farm machinery enterprises must change the old concepts which they had formed during the days of a planned economy that consumers should accept whatever manufacturers produce. They should strive to manufacture readily marketable new products needed by the farm machinery market. These new products include:

- Small 15-, 18- and 25-horsepower tractors with a complete line of small and less expensive attachments and farm implements.
- Wheeled tractors with approximately 75-horsepower engine, which can be used for farming and transportation.
- Modern sowing machines that are able to simultaneously apply nitrogenous, phosphate, potash, and zinc fertilizers and solve the problem of sowing seeds and applying fertilizer at the same time without ruining the seeds. Sowing machines for precision drilling are also needed. Right now, the practice of semi-precision drilling is quite popular. Let us take corn as an example. We need more than 100 jin for each mu and six grams for each jin. If we carry out precision drilling, we can reduce the seeds by half.
- Small corn harvesters that are able to cut off corn, break off corn cobs and peel them, three-furrow mounted plows, light-duty plows and their attachments and accessories.
- Efforts must be made to supply more farm machinery parts and accessories and improve after-sales service. We must change the serious painful situation whereas a 500-yuan tractor-mounted hydraulic pump has to be junked because of the lack of a small 5-yuan component to replace the bad one on the pump. This kind of situation seriously hurts disturbs peasants.



## East Region

### Fujian Secretary Discusses Economic Development

OW1502125895 Shanghai JIEFANG RIBAO in Chinese  
6 Feb 95 p 1

[“Exclusive” interview with Jia Qinglin, Fujian Provincial Party Secretary, by reporter Di Wutong (4574 0063 0681); place and date not given; “Create New Advantages To Attain an Even Higher Goal”]

[FBIS Translated Text] Fujian Province, which is situated on the coast of the Taiwan Strait, held a provincial economic work conference and a provincial rural work conference at the turn of the year. During the conference, Jia Qinglin, Fujian Provincial CPC Committee secretary, gave an interview to this reporter.

First, Jia Qinglin told this reporter that General Secretary Jiang Zemin had set the work requirement of “creating new advantages to attain an even higher goal” on Fujian during a recent inspection tour to the province. To comply with this requirement, Fujian Province will continue to take advantage of “being close to the sea and Taiwan and having mountains, investment by overseas Chinese, and a special economic zone” to maintain the trend of healthy, sustained, and rapid economic development in the province. He said: In 1994, Fujian Province’s GDP exceeded 145 billion yuan, up 20.4 percent from the previous year in terms of comparable prices. Fujian had over 13.3 billion yuan in total revenue and the output value of its industries at and above township level reached 143.8 billion yuan, whereas the proportion of sales to production stood at 95.5 percent or more. Per capita net income of peasants amounted to 1,500 yuan and Fujian was, for the first time, ranked among major foreign trade provinces with over \$10 billion in export and import value, including over \$8 billion in exports, the biggest increase in recent years.

Speaking on the general ideas for this year’s work, Jia Qinglin said: We will continue to ensure macroeconomic regulation and control, arrange an appropriate increment of output, and promote stock readjustment with the increment of output to bring about an overall increase in economic returns. Jia Qinglin particularly noted agriculture. He said: The general requirement for this year’s work is “stabilizing and increasing grain production to ensure the supply, and bringing prosperity to new villages in an all-round way.” The two important matters of ensuring grain production and constructing water conservancy works must be emphasized by increasing investments, relying on scientific progress, and introducing appropriate scales of operation, so as to maintain a crop growing area of 30 million mu and grain production of 9 million tonnes.

Speaking on making greater efforts to reform and opening up, Jia Qinglin said: The main point of Fujian’s opening up this year is further intensifying economic

contacts between Fujian and Taiwan and establishing direct mail, air, and shipping service; and trade links across the Strait at an early date to bring about common prosperity on the two sides. Jia Qinglin analyzed: Fujian Province ranks second in China in using foreign capital; 50 percent of its economic growth depends on exports. Over the past years, Fujian Province has integrated the development of mainstay industries with the use of Taiwan and foreign capital. Fujian has attached particular importance to trade with Taiwan, attracted Taiwan investments with its quality, and actively studied a specific pattern of direct transportation between Fuzhou Free Trade Zone and Taiwan’s export processing zone to promote the direct mail, air, and shipping service; and trade links between Fujian and Taiwan.

Speaking on working out and improving a great development plan for Fujian’s export-oriented economic structure, Jia Qinglin said with full confidence: This year, Fujian will promote and set up, as soon as possible, an opening-up structure with Xiamen Special Zone as the leading force, eastern and southern Fujian as the focus of opening up and development, and with the support of mountainous areas in the hinterland. Xiamen Special Zone will further implement some policies for free ports and follow Shanghai Pudong’s pattern to develop Haicang District. Some central cities will be made axes along the economic stripe starting from the Min Jiang estuary, passing the Meizhou Gulf, to Jiulong Jiang, and bring about prosperity to both sides of the Strait with the support of their satellite cities and small towns scattered all over the area.

### Jiangsu Prosecutes Economic Criminals

OW1502130395 Nanjing Jiangsu People’s Radio  
Network in Mandarin 2300 GMT 14 Feb 95

[From the “Provincial News Hookup” program]

[FBIS Translated Text] A provincial meeting of chief procurators held in Nanjing on 14 February revealed that in 1994 procuratorates throughout Jiangsu investigated and handled 3,037 economic criminal cases, recouping economic losses amounting to 184 million yuan for the state and collectives.

Last year, procuratorates at all levels in the province earnestly implemented the guidelines of the 14th CPC National Congress and the provincial party committee’s important plan for fighting corruption, and adhered to the principle of strictly enforcing the law in relentlessly investigating crimes. They scored further periodic achievements in the drive to fight embezzlement and bribery, concentrating efforts on investigating and handling major and serious cases and crimes committed by party functionaries and government organizations, and judicial, administrative law-enforcement, and economic administrative departments. Throughout the year, they prosecuted 46 cadres at the county and section levels who had committed economic crimes, up 76.9 percent on the number prosecuted in 1993. The number of major

cases involving 10,000 yuan or more accounted for more than 70 percent of the total number of cases.

The procuratorates paid particular attention to investigating and handling the forgery of, speculation with, and the fraudulent issue of value-added tax vouchers and the use of fake vouchers to evade taxes in the course of reform, thereby making contributions to Jiangsu's social stability and economic development.

### Jiangsu Province Sets Economic Goals

OW1602034695 Beijing XINHUA in English 0132  
GMT 16 Feb 95

[FBIS Transcribed Text] Nanjing, February 16 (XINHUA)—East China's Jiangsu Province plans to make greater strides in its economic growth and international co-operation, according to a leading provincial official.

"Jiangsu should take advantage of its preferential policies and location to play a leading role in economic development and co-operation with foreign countries," said Wang Rongbing, Jiangsu's deputy governor in charge of foreign trade in a recent interview with XINHUA.

Jiangsu, one of China's most prosperous provinces, is located on the Chang Jiang River Delta, adjacent to Shanghai, China's largest industrial and commercial center. It has seen its economy boom over the past few years.

The provincial government plans to attract more foreign funds, to the tune of about five billion U.S. dollars, as well as to expand its foreign trade this year. The volume is expected to reach 10.8 billion U.S. dollars-worth, a rise of 18 percent over last year.

More foreign funds will be used to promote agricultural production, construction of urban infrastructure, circulation, and other sectors.

Wang pointed out that the export-oriented economy and the construction of development zones will also be emphasized.

The province has set up 11 state-level and 52 provincial-level development zones, including the Singapore-funded Suzhou Industrial Park, he said.

Jiangsu will introduce more advanced international standards and practices in enterprise management and other fields, he added.

More than 5,000 foreign-funded businesses and joint ventures were launched in Jiangsu last year, and the contracted funds topped eight billion U.S. dollars.

Also in 1994, the province's foreign trade sector recorded 8.93 billion U.S. dollars in output value, almost 50 percent more than in 1993, making it the province with the third-largest foreign trade volume in the country.

### Shanghai To Nominate Mayor at Congress Session

HK1502132095 Hong Kong LIEN HO PAO in Chinese  
13 Feb 95 p 1

[Report from Shanghai by special correspondent: "Shanghai People's Congress Meeting To Be Held on Friday; Xu Kuangdi To Be Appointed Mayor"]

[FBIS Translated Text] The Third Session of the 10th Shanghai Municipal People's Congress will be held from 17 to 23 February. Mayor Huang Ju will resign from his current post at the session, and Xu Kuangdi, the incumbent executive vice mayor, will be nominated for the post of mayor.

A Shanghai official said that Huang Ju, as a member of the CPC Central Committee Political Bureau, will devote all his time to serving as secretary of the Shanghai Municipal CPC Committee, and Xu Kuangdi, as candidate for the post of mayor, certainly will be elected with a great majority of votes.

Before this, the Shanghai Municipal People's Congress Standing Committee has already elected former Shanghai Planning Commission Director Hua Jianmin as vice mayor, to oversee planning and finance. Up to now, Shanghai has maintained a strong lineup of eight vice mayors, including Zhao Qizheng, Xia Keqiang, Sha Lin, Meng Jianzhu, Jiang Yiren, Gong Xueping, and Xie Lijuan, with the youngest aged 49, and the oldest aged 59. Hua Jianmin was Xu Kuangdi's deputy in the past.

Xu Kuangdi, 58, is from Zhejiang's Tongxiang. He graduated from the Department of Metallurgy at Beijing Iron and Steel College in 1959, and has served as vice president of the Shanghai University of Industry, chief of the Shanghai Higher Education Bureau, and director of the Shanghai Planning Commission. In 1992, he was appointed vice mayor and became an alternate member of the 14th CPC Central Committee.

During the selection process for the post of Shanghai mayor, Xu Kuangdi competed with Chen Liangyu, deputy secretary of the municipal party committee, but Jiang Zemin eventually chose him.

Although he was picked by Zhu Rongji to serve as director of the planning commission and as vice mayor, he also was well acquainted with Jiang Zemin. Once when Jiang Zemin was at a low ebb during the time he governed Shanghai, he asked at a meeting of university presidents: When I step down from the government, would you offer me the job of a professor at your university? At that time, no one gave him a reply, but Xu Kuangdi immediately invited him to serve as professor at Shanghai University of Industry. Jiang was touched, and often mentioned this incident later on.

In fact, Xu Kuangdi is very capable, and has the manner of a scholar. His work style is liberal, and Shanghai's

cadres have spoken of him highly, so he has good relations with the upper and lower levels.

According to information, during the adjustment of the name list this time, Jiang Zemin, Wu Bangguo, and Zhu Rongji all intervened.

During this session of the municipal people's congress, Huang Ju will still be the person to deliver the government work report, in which he will particularly stress the need to implement the CPC Central Committee's 16-character principle of "unifying thought, grasping the overall situation, strengthening coordination, and working solidly," and to listen to the words of the CPC Central Committee.

Huang Ju will stress in his report that Shanghai should maintain its tendency of economic development, and with the 16-character principle as guidance, should obtain sustained, rapid, and steady [4489 1353] economic development. This year, great efforts will be made to curb inflation, and the economic growth index will be adjusted downward when compared with last year.

In 1994, Shanghai maintained a trend of rapid economic growth for the third consecutive year, and the economic growth rate was 14.3 percent. It is expected that under the condition of losses made by state-owned enterprises, and of rapid price increases, the period of rapid growth will come to an end this year, and a "period of steady increase" characterized by slowing down of speed will emerge. In addition, this year's economic growth will be adjusted to 13 percent.

The inflation index in Shanghai last year was 17.5 percent, and this year, efforts will be made to bring it down to 15 percent. However, because 30 percent of state-owned enterprises are running at a loss, there will be some difficulties in economic regulation and control.

The government work report advocates further increasing the proportion of tertiary industry, with the emphasis on developing financial, commercial, trading, information, and consultation enterprises, as well as giving play to the municipality's function as a financial, economic, and trading center.

#### **'Grey-Hair' Project Benefits Shanghai's Retirees**

OW1602092995 Beijing XINHUA in English 0839  
GMT 16 Feb 95

[FBIS Transcribed Text] Shanghai, February 16 (XINHUA)—Retirees in Shanghai, China's leading industrial center, are pooling their resources to run enterprises, which not only contribute to resolving their own financial problems, but also ease the burden on society.

So far, retirees participating in the "Grey-Hair" Project, launched in 1986, have already set up over 4,500 enterprises with total turnover topping eight billion yuan (about 941 million U.S. dollars).

A total of 450 million yuan generated by these businesses have been used for the welfare of the retirees. In 1993 alone, a total of 960,000 retirees each received 160 yuan in subsidies, municipal officials revealed.

The profits generated from the project have also funded the setting up of over 1,000 grass-roots recreational centers for retired workers, 32 retirement homes, 17 geriatric clinics and a college for retirees. The 28-story Shanghai Retired Workers' Recreational Center, now under construction, is also financed by the project.

Shanghai at present has over 1.6 million retired workers. Among them, some 350,000 people have difficulty making ends meet, because they are single, physically disabled, above 80 years of age or have inadequate pensions. In fact, almost all retired workers claim that their living standards have dropped as a result of price hikes in recent years, the officials said.

According to estimates, the number of businesses run by retirees in Shanghai will reach 5,000 in 1996, with those exceeding one million yuan in business volume reaching 500. The per capita benefit from the scheme is expected to come to 200 yuan a year.

#### **Shanghai Plans 'Large-Scale Projects' for 1995**

OW1602064295 Beijing XINHUA in English 0559  
GMT 16 Feb 95

[FBIS Transcribed Text] Beijing, February 16 (XINHUA)—Shanghai plans to start construction of 42 large-scale projects this year to pave the way for the city's goal of building itself into China's financial center.

The projects cover highways, subways, posts and telecommunications installations, public utilities and agriculture, said a spokesman for the Shanghai municipal government.

Fifteen of the projects, including the Chengdu Road elevated highway and the Fengpu Bridge, will be completed within this year, with the rest scheduled to be completed next year.

#### **Zhejiang Supports Education in Poor Areas**

OW1602085295 Beijing XINHUA in English 0706  
GMT 16 Feb 95

[FBIS Transcribed Text] Hangzhou, February 16 (XINHUA)—Zhejiang, a rapidly developing province in east China, has launched a help-the-poor campaign to boost education in its poorer areas.

According to the plan, 100 middle schools will be built in 17 counties which are all underdeveloped areas and where the farmers' per capita income averages less than 400 yuan a year. Because of the lack of operating expenses, school rooms in the areas are old, teaching equipment outdated, and the problem of dropouts severe.



When the schools are built, they will be available for pupils from more than 170 townships.

A total of 166 projects and 150 million yuan will be needed for the construction of the schools. The funds will be jointly managed by those areas and the provincial government.

### Central-South Region

#### Guangdong Achieves Reform Breakthroughs

OW1602034795 Beijing XINHUA (in English) 0126  
GMT 16 Feb 95

[FBIS Transcribed Text] Guangzhou, February 15 (XINHUA)—Guangdong Province, a rising economic giant in south China, has made breakthroughs in introducing a modern enterprise system, and in the reform of the taxation, banking, investment and foreign exchange systems in recent years.

Last year the provincial government approved a plan for trying out a modern enterprise system, choosing 250 enterprises as pioneers.

Four local enterprises—the Guangzhou Gourmet Powder and Foodstuffs Factory, the Guangdong Materials Group of Companies, the Shenzhen-based Huaqiang Electronics Industry Corporation and the Shenzhen Materials Corporation—were chosen by the central authorities to be included among the 100 enterprises throughout the country to try out the system.

To facilitate the introduction of the system, one third of state-owned enterprises in Guangdong have carried out institutional restructuring, the reform of labor and personnel systems and wage reform, and have instituted a new contract-based labor system.

Progress has also been made in reorganizing assets of state-owned enterprises.

For instance, a number of enterprise groups, standard joint-stock companies, limited-liability companies and co-operative joint-stock companies have been set up in Foshan City.

The coverage of pension insurance has been extended from state-owned companies and collectively-owned businesses in cities to foreign-funded companies and private firms all over the province.

To date, 6.21 million workers throughout Guangdong, 70 percent of the provincial workforce, are covered by pension insurance. Among them are 1.09 million retired workers, 80 percent of the retirees in Guangdong.

Since August 1994 government offices have introduced the system of individual bank accounts for pension insurance.

Local economists agree that the success in the reform of the pension insurance system helps enterprises expand production and helps improve social stability.

The restructuring of the rural economy has resulted in a new leap in Guangdong's rural economy.

The province now has 90,000 co-operative shareholding enterprises in rural areas.

In the Pearl River Delta, one of the most developed areas in China, farmers have contributed land titles as their shares in township-run enterprises, thus thoroughly transforming the operational mechanism of such enterprises.

Guangdong has also scored successes in the reform of its taxation, banking, foreign trade, foreign exchange and investment systems.

It has instituted a new system under which tax revenues are shared by central and local authorities and tax management is standardized, resulting in a big increase in local revenues.

According to economists, the merging of the old dual foreign exchange systems has promoted exports and the introduction of overseas funds.

Exports from Guangdong amounted to 50.2 billion U.S. dollars, worth in 1994, up 34 percent over the previous year and four percent of China's total.

Guangdong attracted 11.5 billion U.S. dollars in foreign funds last year, a 18.5 percent increase over the previous year.

#### Shenzhen Desperately Short of Small Change

HK1502134595 Beijing ZHONGGUO XINWEN SHE  
in English 0936 GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (CNS)—When you go shopping in Shenzhen, the small change you receive from the shop assistants are not ten cents or twenty cents but chewing gum or candy. When you go to the Post Office, the small change you get is a stamp, and if you are in the market what you receive instead of small change, is an additional bunch of vegetables. Newcomers to Shenzhen find this hard to believe but local people just take this for granted. Husbands and wives always remind each other to bring sufficient small change when they leave home.

The shortage of small value notes and coins in Shenzhen is best reflected by some daily habits of the Shenzhen people. On pay days, some companies use meal coupons, chocolates and tissues in lieu of odd dollars and cents. At some public telephone booths, notices like "Please tender exact fare" or "No change given" are posted.

Yet some smart people exploit the shortage of small change to make a little money. There are people who will offer to pay 100 yuan for small notes and coins worth 90 yuan only.

Some merchants go to the inland cities to look for small change. When they return from their hometowns after

the Lunar New Year Holidays, they carry with them a good quantity of small change ranging from 10 cents to two dollars.

Where have all the small notes and coins gone? Well, they are gone to the public buses. As public buses in Shenzhen are operated by a driver only, passengers must tender the exact fare. If they have no small change, they cannot board the bus. So all the small change has gone into bus fares. Very often, passengers are forced to tender bigger value notes because they do not have any 10 cents or 20 cents coins.

In order to solve the shortage problem, some Shenzhen banks have "imported" a certain quantity of small change from other cities. However, the problem repeats itself after a period of time.

To deal with the problem, as caused by the public buses, it is suggested a "stored-value card" system be used by the passengers. Once the value of the cards is used up, they can buy new cards.

No matter what measures will be adopted, the shortage of small change is the strangest thing in Shenzhen today.

#### **Hainan Township Enterprises Hit New Output High**

HK1502134295 Beijing ZHONGGUO XINWEN SHE  
in English 0912 GMT 15 Feb 95

[FBIS Transcribed Text] Haikou, February 15 (CNS)—Haikou, capital of Hainan Province, is actively bringing its local advantages into full play, introducing investment from abroad and other places outside the City and practicing the shareholding system in its enterprises. As a result, the City's township enterprises last year reached their output value of RMB [Renminbi] 950 million, 37 percent more than in the year before. Profit and tax they earned amounted to RMB 120 million, making a new historical record.

The City has paid much attention to the development of township enterprises in order to vitalize its rural economy. Some 26 high-tech products, including health care and alcohol-related products with a total investment of over RMB 63 million, have been developed for its township enterprises. These enterprises sent over 100 technicians and managers abroad last year to pay on-the-spot inspections in and seek economic cooperation with foreign countries of Singapore, America, Thailand, Vietnam as well as to other provinces and cities across the country. Besides, the City has set up 38 partnership enterprises in its rural areas. Their total share capital has exceeded RMB 270 million and some 14,000 peasants have become their shareholders.

#### **Henan Secretary Addresses Politico-Legal Meeting**

HK1602101995 Zhengzhou Henan People's Radio  
Network in Mandarin 2300 GMT 11 Feb 95

[FBIS Translated Excerpt] With the representatives attending the province's politico-legal work meeting,

leading cadres—including Li Changchun [provincial party secretary], Song Shaosu, Zheng Zengmao, Zhang Deguang, and Li Zhibin—held discussions in Zhengzhou's Jinjiang Restaurant on the afternoons of 10 and 11 February, on safeguarding Henan's political and social stability. In his speech, provincial party Secretary Li Changchun stressed: Political and legal work is part and parcel of the work of the whole party. In the new historical period, party committees and governments at all levels must attach great importance to, and do an effective job of politico-legal work. Li Changchun presided over the discussion meetings, at which the secretaries of city and prefectural party committees spoke one after another.

After hearing their speeches, Li Changchun aired important views in light of Henan's actual conditions. He said: Party committees and governments at all levels, particularly those who with primary responsibility, should further deepen their understanding of the importance of safeguarding political and social stability. Those with primary responsibility should be responsible for local social stability. [passage omitted]

They should always uphold the principle of doing two types of work simultaneously, while attaching equal importance to both; by persistently opening Henan to the outside world; and importing advanced foreign technology and management expertise. At the same time, they also should make unremitting efforts to crack down on pornography, gambling, and drug abuse. For those who with primary responsibility, holding overall responsibility for social stability and ensuring that all is well in their localities are unshirkable political duties of our party as a party in office. This is a requirement of being in office and of upholding the people's democratic dictatorship, the concrete embodiment of the fundamental purpose of party committees and governments at all levels in serving the people wholeheartedly; the fundamental guarantee for the sustained, rapid, and healthy development of the national economy; and the requirement of the 20-character guiding principle [seizing opportunities, deepening reform, opening wider to the outside world, promoting development, and maintaining stability] for the overall work of the entire party and nation.

Li Changchun said: Safeguarding social stability is still a pressing practical issue. Reform and development require a stable social environment. Checking the rising momentum of serious crime in various localities is an urgent demand the masses of the people have set on the party and government. He urged procuratorial and judicial organs in various localities to do a good job in the comprehensive management of social order, and to enhance people's sense of security by starting with a severe clampdown on crime. [passage omitted]

Li Changchun stressed: Comprehensively managing social order is a very important and difficult task. It simply does not work merely to rely on procuratorial and

judicial organs in doing so. The soundness of a locality's social order depends, first of all, on the locality's party and government leaders, and its principal party and government leaders in particular. [passage omitted]

Li Changchun said: Our contingent of security, procuratorial, and judicial personnel is good on the whole, and [words indistinct] but a few personnel have knowingly violated the law, thus tarnishing the contingent's image. The contingent is the bedrock of the people's democratic dictatorship, on which strict demands should be set, and [words indistinct].

### Coverage of Hunan Land-Use Reform Meeting

#### Hunan Achieves 'Results'

*HK1602103795 Changsha Hunan People's Radio Network in Mandarin 2300 GMT 10 Feb 95*

[FBIS Translated Excerpt] A provincial meeting on land utility system reform opened yesterday [10 February]. Our reporter learned from this meeting that Hunan has achieved notable results in land-use system reform. In a short period of three years, Hunan has completed the three stages of experimental reform in selected units, expanding the reform to broader areas, and carrying it out in depth. [passage omitted]

By the end of 1994, Hunan had leased out 69,675 mu of state-owned land, from which it collected rents of 3.47 billion yuan. Income from land leasing has become the main pillar of some county and city government revenues, and 80 percent of cities and counties use income from land leasing to speed up their infrastructural construction and rebuild their old districts.

Hunan's land-use system reform started in 1992, with the city of Liuyang beating the first drum of auctioning land-use rights. Now 423 cities and towns throughout the province are carrying out land-use system reform. The transition of state-owned land-use rights from noncompensatory to compensatory has helped improve localities' ability to carry out infrastructural construction, and has provided a reliable source of finance for local revenues. [passage omitted]

#### Secretary on Reform

*HK1602110095 Changsha Hunan People's Radio Network in Mandarin 2300 GMT 12 Feb 95*

[FBIS Translated Excerpt] From 10 to 12 February, the provincial government convened in Changsha a provincial meeting on land-use system reform. At the meeting, Executive Vice Governor Wang Keying, member of the provincial party committee's standing committee, read Secretary Wang Maolin's written speech. Acting Governor Yang Zhengwu, deputy secretary of the provincial party committee, addressed the meeting. On behalf of the provincial government, Vice Governor Zhou Bohua gave a report on Hunan's land-use system reform. This

was an important meeting aimed at implementing the basic state policy on land and at deepening land-use system reform.

In his written speech, Secretary Wang Maolin said: The land issue is not only an economic question, but a political and social one as well, and it requires the close attention of party committees and governments at all levels. He pointed out: Hunan is a large agricultural province, but its per capita possession of farmland ranks fourth from last among all the provinces and autonomous regions throughout the country. Without maintaining the relative stability of farmland, agricultural development is just empty talk. Hunan is also weak in terms of revenue. How should we regulate and control the disposal of resources by economic means, and use land rent for maritime development? There is much to do in improving land management and in reforming the land-use system.

Comrade Wang Maolin demanded that party committees and governments at all levels list land management and land-use system reform as important topics on their agenda. They must implement the state land policy like the state population policy, and exercise land management like carrying out family planning. In this way, they will earnestly protect farmland throughout the process of economic construction.

The meeting also relayed the instructions of the national meeting on land-use system reform, summed up the work in the previous period, arranged future work, listened to reports by 14 units on their experiences in land-use system reform, and discussed measures for deepening land-use system reform and strengthening management. [passage omitted]

### Southwest Region

#### Guizhou Governor Addresses Social Order Meeting

*HK1602074095 Guiyang Guizhou People's Radio Network in Mandarin 2300 GMT 10 Feb 95*

[FBIS Translated Text] The provincial commission for comprehensive management of social order held a full-member meeting at the provincial government complex last night to review [passage indistinct] the results of the comprehensive management of social order in 1994 and the main points of work for 1995. Hu Kehui, secretary of the provincial commission of political science and law, chaired the meeting, while Governor Chen Shineng attended and addressed the meeting.

Governor Chen Shineng first confirmed the province's achievements in carrying out comprehensive management of social order in 1994. He also raised opinions and suggestions on correcting shortcomings. Regarding this year's comprehensive management of social order, Governor Chen Shineng asked leaders of the relevant departments to conscientiously implement the instructions of



the Lunar New Year Holidays, they carry with them a good quantity of small change ranging from 10 cents to two dollars.

Where have all the small notes and coins gone? Well, they are gone to the public buses. As public buses in Shenzhen are operated by a driver only, passengers must tender the exact fare. If they have no small change, they cannot board the bus. So all the small change has gone into bus fares. Very often, passengers are forced to tender bigger value notes because they do not have any 10 cents or 20 cents coins.

In order to solve the shortage problem, some Shenzhen banks have "imported" a certain quantity of small change from other cities. However, the problem repeats itself after a period of time.

To deal with the problem, as caused by the public buses, it is suggested a "stored-value card" system be used by the passengers. Once the value of the cards is used up, they can buy new cards.

No matter what measures will be adopted, the shortage of small change is the strangest thing in Shenzhen today.

#### **Hainan Township Enterprises Hit New Output High**

*HK1502134295 Beijing ZHONGGUO XINWEN SHE in English 0912 GMT 15 Feb 95*

[FBIS Transcribed Text] Haikou, February 15 (CNS)—Haikou, capital of Hainan Province, is actively bringing its local advantages into full play, introducing investment from abroad and other places outside the City and practicing the shareholding system in its enterprises. As a result, the City's township enterprises last year reached their output value of RMB [Renminbi] 950 million, 37 percent more than in the year before. Profit and tax they earned amounted to RMB 120 million, making a new historical record.

The City has paid much attention to the development of township enterprises in order to vitalize its rural economy. Some 26 high-tech products, including health care and alcohol-related products with a total investment of over RMB 63 million, have been developed for its township enterprises. These enterprises sent over 100 technicians and managers abroad last year to pay on-the-spot inspections in and seek economic cooperation with foreign countries of Singapore, America, Thailand, Vietnam as well as to other provinces and cities across the country. Besides, the City has set up 38 partnership enterprises in its rural areas. Their total share capital has exceeded RMB 270 million and some 14,000 peasants have become their shareholders.

#### **Henan Secretary Addresses Politico-Legal Meeting**

*HK1602101995 Zhengzhou Henan People's Radio Network in Mandarin 2300 GMT 11 Feb 95*

[FBIS Translated Excerpt] With the representatives attending the province's politico-legal work meeting,

leading cadres—including Li Changchun [provincial party secretary], Song Shaosu, Zheng Zengmao, Zhang Deguang, and Li Zhibin—held discussions in Zhengzhou's Jinjiang Restaurant on the afternoons of 10 and 11 February, on safeguarding Henan's political and social stability. In his speech, provincial party Secretary Li Changchun stressed: Political and legal work is part and parcel of the work of the whole party. In the new historical period, party committees and governments at all levels must attach great importance to, and do an effective job of politico-legal work. Li Changchun presided over the discussion meetings, at which the secretaries of city and prefectural party committees spoke one after another.

After hearing their speeches, Li Changchun aired important views in light of Henan's actual conditions. He said: Party committees and governments at all levels, particularly those who with primary responsibility, should further deepen their understanding of the importance of safeguarding political and social stability. Those with primary responsibility should be responsible for local social stability. [passage omitted]

They should always uphold the principle of doing two types of work simultaneously, while attaching equal importance to both; by persistently opening Henan to the outside world; and importing advanced foreign technology and management expertise. At the same time, they also should make unremitting efforts to crack down on pornography, gambling, and drug abuse. For those who with primary responsibility, holding overall responsibility for social stability and ensuring that all is well in their localities are unshirkable political duties of our party as a party in office. This is a requirement of being in office and of upholding the people's democratic dictatorship, the concrete embodiment of the fundamental purpose of party committees and governments at all levels in serving the people wholeheartedly; the fundamental guarantee for the sustained, rapid, and healthy development of the national economy; and the requirement of the 20-character guiding principle [seizing opportunities, deepening reform, opening wider to the outside world, promoting development, and maintaining stability] for the overall work of the entire party and nation.

Li Changchun said: Safeguarding social stability is still a pressing practical issue. Reform and development require a stable social environment. Checking the rising momentum of serious crime in various localities is an urgent demand the masses of the people have set on the party and government. He urged procuratorial and judicial organs in various localities to do a good job in the comprehensive management of social order, and to enhance people's sense of security by starting with a severe clampdown on crime. [passage omitted]

Li Changchun stressed: Comprehensively managing social order is a very important and difficult task. It simply does not work merely to rely on procuratorial and

judicial organs in doing so. The soundness of a locality's social order depends, first of all, on the locality's party and government leaders, and its principal party and government leaders in particular. [passage omitted]

Li Changchun said: Our contingent of security, procuratorial, and judicial personnel is good on the whole, and [words indistinct] but a few personnel have knowingly violated the law, thus tarnishing the contingent's image. The contingent is the bedrock of the people's democratic dictatorship, on which strict demands should be set, and [words indistinct].

### Coverage of Hunan Land-Use Reform Meeting

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Hunan's land-use system reform started in 1992, with the city of Liuyang beating the first drum of auctioning land-use rights. Now 423 cities and towns throughout the province are carrying out land-use system reform. The transition of state-owned land-use rights from noncompensatory to compensatory has helped improve localities' ability to carry out infrastructural construction, and has provided a reliable source of finance for local revenues. [passage omitted]

#### Secretary on Reform

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was an important meeting aimed at implementing the basic state policy on land and at deepening land-use system reform.

In his written speech, Secretary Wang Maolin said: The land issue is not only an economic question, but a political and social one as well, and it requires the close attention of party committees and governments at all levels. He pointed out: Hunan is a large agricultural province, but its per capita possession of farmland ranks fourth from last among all the provinces and autonomous regions throughout the country. Without maintaining the relative stability of farmland, agricultural development is just empty talk. Hunan is also weak in terms of revenue. How should we regulate and control the disposal of resources by economic means, and use land rent for maritime development? There is much to do in improving land management and in reforming the land-use system.

Comrade Wang Maolin demanded that party committees and governments at all levels list land management and land-use system reform as important topics on their agenda. They must implement the state land policy like the state population policy, and exercise land management like carrying out family planning. In this way, they will earnestly protect farmland throughout the process of economic construction.

The meeting also relayed the instructions of the national meeting on land-use system reform, summed up the work in the previous period, arranged future work, listened to reports by 14 units on their experiences in land-use system reform, and discussed measures for deepening land-use system reform and strengthening management. [passage omitted]

### Southwest Region

#### Guizhou Governor Addresses Social Order Meeting

*HK1602074095 Guiyang Guizhou People's Radio Network in Mandarin 2300 GMT 10 Feb 95*

[FBIS Translated Text] The provincial commission for comprehensive management of social order held a full-member meeting at the provincial government complex last night to review [passage indistinct] the results of the comprehensive management of social order in 1994 and the main points of work for 1995. Hu Kehui, secretary of the provincial commission of political science and law, chaired the meeting, while Governor Chen Shineng attended and addressed the meeting.

Governor Chen Shineng first confirmed the province's achievements in carrying out comprehensive management of social order in 1994. He also raised opinions and suggestions on correcting shortcomings. Regarding this year's comprehensive management of social order, Governor Chen Shineng asked leaders of the relevant departments to conscientiously implement the instructions of

the Fourth Plenary Session of the 14th CPC Central Committee, to strengthen party building, to carry out comprehensive management of social order, to ensure the implementation of the leaders' responsibility system in comprehensive management of social order, to further enforce the crackdown on crimes, to change the bad social order in some localities, to strengthen grass-roots organizational work concerning comprehensive management of social order, to exercise stricter management over society, and to put into effect all measures on the comprehensive management of social order.

#### **Guizhou Holds Party Style Improvement Meeting**

*HK1602074295 Guiyang Guizhou People's Radio Network in Mandarin 2300 GMT 10 Feb 95*

[FBIS Translated Text] Yesterday, the provincial party committee's core study group conducted a group study to convey the gist of Comrade Jiang Zemin's speech at the Fifth Plenary Session of the Central Discipline Inspection Commission and to discuss ways of further strengthening and improving Guizhou's party style and building a clean administration. The meeting was presided over by Liu Fangren, secretary of the provincial party committee. At the meeting, Comrade Jiang Zemin's speech at the Fifth Plenary Session of the Central Discipline Inspection Commission was relayed and studied. Some of Deng Xiaoping's expositions on improving party style were also studied. [passage indistinct] The participants also studied the CPC Central Committee's decision on adhering to collective leadership, opposing individual autocracy, safeguarding the party centralism and unity, strictly observing party discipline, upholding party spirit and opposing sectarianism, developing inner-party democracy, and treating different opinions correctly. During the study, participants held conscientious discussions on the province's specific conditions and the Yan Jianhong and Guo Zhenmin corruption cases [Yan was a director of a provincial international trust and investment company; Guo was chief of the provincial public security department].

The participants pointed out that the province has made certain achievements in combating corruption and that the fight against corruption has shown a healthy development trend. In this new situation of economic development, reform, opening up, and establishing the socialist market economy, we must fully understand the importance, long-term nature, and arduousness of combating corruption. Party-member cadres, particularly party-member leading cadres, must always bear in mind the party's four cardinal principles and correctly handle the relation between party spirit and the principles of commodity exchange. In the course of establishing a socialist market economy, all levels of party organizations must earnestly step up their efforts to improve the party's style; carry out strict party management, build the party stronger ideologically, organizationally, and in style; and bring about healthy developments in

improving the party's style. In this way, we will be able to stimulate the province's steady economic development in a better manner.

#### **Cadres To Aid Rural Party Branches in Guizhou**

*HK1602102395 Guiyang Guizhou People's Radio Network in Mandarin 2300 GMT 10 Feb 95*

[FBIS Translated Text] Yesterday afternoon [10 February], the provincial party committee held a farewell party for the first batch of the work team on improving rural grass-roots party organizations. This first batch, comprising 201 members from institutions directly under the provincial authorities, will go stay in 48 counties for one year to help restore the combat-worthiness of weak, lax, and paralyzed rural party branches. Among those present at the farewell party were: Governor Chen Shineng, deputy secretary of the provincial party committee; Wang Siqu, deputy secretary of the provincial party committee; and Wang Shouting, member of the provincial party committee's standing committee and director of the provincial party committee's organizational department.

Secretary Liu Fangren made a speech, saying: Rectifying weak, lax, and paralyzed rural party branches, and strengthening grass-roots organizations in the rural areas are major arrangements of the CPC Central Committee and the provincial party committee. To fulfill this task, the provincial party committee has decided to select from among provincial-, prefectural-, county-, and township-level institutions, some 5,000 cadres who are familiar with rural work, and who have honest work styles and strong ability, to be sent to ethnic, border, and poor villages where party organizations need rectification.

Liu Fangren demanded: Cadres sent to rural areas must help improve village party leading groups. In particular, they must select good village party branch secretaries, work out economic development methods suitable for the localities, form effective systems, help local cadres improve their understanding of the party's policies and principles, and resolve prominent problems. In addition, through education and training, they must help improve grass-roots cadres' political and ideological quality and standards, as well as their ability to resolve problems by themselves. They must use the theory of building socialism with Chinese characteristics, the party constitution, and the party's policies to educate party members to serve the masses; to fully boost the initiative of grass-roots cadres, party members, and masses; to turn the party's policies into the conscious actions of grass-roots cadres, party members, and masses; to train a good contingent; and to enable party members and cadres to play an exemplary vanguard role.

#### **Sichuan Leaders Attend People's Congress Session**

*HK1602110695 Chengdu Sichuan People's Radio Network in Mandarin 2300 GMT 15 Feb 95*

[FBIS Translated Excerpt] The Third Plenary Session of the Eighth Sichuan Provincial People's Congress was



held solemnly in Chengdu's Chunghua Auditorium on the morning of 15 February. [passage omitted]

The session, which opened at 0830, was presided over by Yang Xizong, presiding chairman of the session and executive chairman of the Presidium. [passage omitted]

Seated in the front row on the rostrum were—arranged in the order of the number of strokes in their surnames—Wang Shuyun, Wei Siqu, Ren Lingyun, Sun Zhiqiang, Yang Xizong, Song Dafan, Song Baorui, Luo Tongda, Rao Yongyu, Xu Shangzhi, Kang Zhenhuang, and Xie Shijie. The session's presiding vice chairmen were seated in the front row on the rostrum, and members of the Presidium were seated on the rostrum. Present by invitation and seated on the rostrum were leading comrades of the Sichuan Provincial CPC Committee, the Chengdu Military Region, the provincial government, the provincial committee of the Chinese People's Political Consultative Conference, the Chengdu Military Region's air force, and the provincial military district: Xiao Yang, Nie Ronggui, Pu Haiqing, Yang Chonghui, Huang Hengmei, and Geng Quanli. Also seated on the rostrum were veteran provincial leaders (Tian Bao), Yang Chao, Yang Wanxian, (Zheng Liping), He Haoju, and Liao Bokang. [passage omitted]

Governor Xiao Yang read out the Government Work Report. [passage omitted]

#### **Sichuan Infrastructure Increases Over 50 Percent**

OW1602034495 Beijing XINHUA in English 0128 GMT 16 Feb 95

[FBIS Transcribed Text] Chengdu, February 16 (XINHUA)—Sichuan, the most populous province, in Southwest China, had used investment totalling more than 13.88 billion yuan in 48 key projects in 1994, an increase of 50 percent over the previous year.

Thanks to strenuous efforts at combating backwardness in its transportation, telecommunications, and power structures, the province's economic environment has greatly improved during the past year.

In 1994, it built or renovated highways and roads totalling more than 500 kilometers in length. One of the four expressways under construction is taking shape and will be put into use soon.

In addition, a long-distance direct-dial telephone network now covers about 165 cities in the province, and some 2,200 km. Of optical fiber cables and 220 km. Of digital microwave telephone lines have been laid.

The province also has built several power plants with a combined generating capacity of 870,000 kw.

#### **Reportage on Yunnan's Judicial Work Meeting**

##### **Secretary Addresses Meeting**

HK1502144895 Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 11 Feb 95

[FBIS Translated Excerpt] The provincial political and judicial work conference concluded in Kunming today.

Pu Chaozhu, secretary of the Yunnan Provincial CPC Committee, stressed at the meeting that the political and judicial work in Yunnan must be closely linked with the central task of economic construction, and that top priority should be given to the maintenance of social stability. Yunnan's work experience should be summed up properly in order to enhance the province's ability to handle complicated social contradictions. The law enforcement contingent should be strengthened.

Pu Chaozhu said: Last year, great achievements were made in all fronts. This was inseparable from the outstanding work of comrades in the law enforcement institutions, who successfully maintained social stability and public order. At the same time, we also should remain sober-minded, and be aware of the existence of factors affecting social stability. There are still problems in the law and order situation. Without social stability, it is impossible to guarantee sustained, rapid, and healthy economic development. It is particularly important to handle properly the relationships among reform, development, and stability. Yunnan is a mountainous border province inhabited by many nationalities. As compared with interior provinces, there are some different and special conditions in Yunnan. Factors affecting social stability still exist. This adds difficulty to our work of maintaining public security and public order. Our work in this aspect should be based on Yunnan's special social conditions, and we should continuously enhance our ability to handle complicated social contradictions by summing up work experience. The situation should be properly sized up, and correct tactics and policies should be adopted to deal with new conditions. The counter-narcotics struggle should be taken as one of the major tasks, and unremitting efforts should be made in this field. Relations among different nationalities should be handled properly. Severe action should be taken to crack down on criminals who flee here and there. The high incidence of major and serious criminal cases should be resolutely lowered. [passage omitted]

At today's meeting, Vice Governor Dai Guanglu made a concluding speech; Ling Huan, deputy secretary of the provincial party committee, presided.

#### **Governor Meets With Officials**

HK1502145295 Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 11 Feb 95

[FBIS Translated Excerpt] The chairman of the provincial people's congress, the governor, the president of the provincial higher people's court, and the chief procurator of the provincial people's procuratorate held a joint meeting at the office of the provincial people's congress standing committee this morning. Leaders of the provincial people's congress, the provincial government, the provincial higher court and provincial procuratorate briefed each other on their work conditions in the past year and on their work plans for this year. They also considered issues to be resolved jointly. The meeting enabled them to better coordinate and more effectively

improve work throughout the province. The meeting was presided over by Yin Jun, chairman of the provincial people's congress standing committee. [passage omitted]

#### **Yunnan Invests Heavily in 'Basic Construction'**

OW1602064595 Beijing XINHUA in English 0556  
GMT 16 Feb 95

[FBIS Transcribed Text] Kunming, February 16 (XINHUA)—The investment environment in southwest China's Yunnan Province has markedly improved because of the increasing investment in basic construction.

Yunnan, which is relatively underdeveloped in spite of its rich natural resources, spends a large part of its revenue on basic construction. Since 1985 more than 20 billion yuan has been put into the construction of energy, transportation, telecommunications and water-control projects.

A decade ago the province had an installed generating capacity of less than two million kw. The largest power station then had an installed capacity of a mere 320,000 kw.

During the past decade the province has built a number of hydropower and thermal power stations with a total installed generating capacity of 600,000 kw and started to tap the Lancang River, which is rich in energy resources. Two power stations with installed generating capacity of more than a million kw each will be built on the river. Their completion will mean a ten-percent annual growth rate for the province's energy production.

In 1994 the province not only satisfied its own needs for electricity but also transmitted 900 million kwh to Guangdong Province.

The province has also made progress in improving its transportation conditions. It plans to connect its road network, which comprises six high-class roads, with the national and Asian road network during the Ninth Five-Year Plan period (1996-2000). Seven of the eight new or renovated airports have been put into operation. Yunnan now has six international air routes and 36 domestic routes.

To improve agricultural production it has strengthened the construction of water-control projects. Within five years the capacity of reservoirs in the province increased by 300 million cu m [cubic meters].

#### **North Region**

#### **Beijing Holds Economic Work Conference**

SK1502015995 Beijing BEIJING RIBAO in Chinese 17  
Jan 95 pp 1,4

[By reporter Wu Xiangzhong (0702 0686 0022): "Continue To Comprehensively Implement Guidelines of the

Central Economic Work Conference and Promote Sustained, Rapid, and Sound Economic Development in Line With Reality"]

[FBIS Translated Text] The 1995 Beijing Municipal comprehensive economic work conference was held on 16 January. Mayor Li Qiyang presided over the conference and stressed that during this year continued efforts should be made to comprehensively implement the guidelines of the 14th CPC Congress, the third and fourth plenary sessions of the 14th CPC Central Committee, and the central economic work conference, firmly grasp the general tasks of the whole party and the whole country put forward by the central authorities, properly handle the relations of reform, development, and stability, continue to emancipate thinking and enhance spirit in line with Beijing's reality, raise the municipality's macroeconomic regulation and control and the work of the departments in charge of comprehensive management to a new level, and promote sustained, rapid, and sound economic development. Executive Vice Mayor Wang Baosen gave a report at the conference.

Li Qiyang gave a speech in which he said: This conference is very important, aiming at comprehensively implementing the central principles and policies and the guidelines of the central economic work conference, conscientiously implementing the guidelines of the report meeting of the municipal party committee and government to sum up the 1994 work and to define the 1995 work tasks and of the municipal economic work conference, summing up last year's work, and studying and defining tasks for the comprehensive economic departments for this year. On behalf of the municipal party committee and the municipal government, he thanked the municipal comprehensive economic departments for their efforts to play a "leading" role in comprehensively balancing the whole municipality's economic and social development, conducting macroeconomic regulation and control, providing services to the municipal government, and suggesting ways and means during the past year.

Li Qiyang said: The tasks of this year are heavy and arduous. The comprehensive economic departments should conscientiously analyze the contradictions, overcome difficulties, have courage to blaze new trails, accomplish something, serve economic development and enterprises more consciously and voluntarily, guarantee the quality and rate of economic development in the municipality in terms of comprehensive balance, collection of funds, examination and approval of items, banking invigoration, market cultivation, and law enforcing supervision, and guarantee that urban construction and the people's living will be raised to a new level. Continued efforts should be made to deepen reform, raise one's own quality, promote the change of functions and meet the demands of the socialist market economy. We should promote and support economic structural readjustment of the municipality, make industrial structure become more rational and product mix

attain higher quality, and achieve efficiency and have more time and resources through readjustment. It is necessary to deeply study Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, persist in attaining high standards, setting strict demands, and strengthening the building of contingents, extensively promote the habit of conducting investigation and study, guarantee the comprehensive fulfillment of all tasks, and achieve greater achievements in the capital's building of two civilizations. All departments in charge of comprehensive management should make this conference a success, concentrate energy to conscientiously sum up work, unify thinking, explore laws and regulations, accumulate experience, conscientiously read the documents, use their brains, pool the wisdom of all, study measures, break down the tasks, and grasp the implementation in line with the reality of each specific department.

Wang Baosen gave a report, entitled: "Comprehensively Implement the Guidelines of the Central Principles, Emancipate Thinking in Close Connection With Reality, Make Breakthroughs in Key Areas, and Strive To Realize the 1995 National Economic and Social Development Plan." He pointed out: In 1994, great progress was made in Tianjin's reform, opening up, and economic construction and breakthroughs were made in some aspects. 1. All major reforms were smoothly carried out and decisive steps were made in the socialist market economic system. 2. New breakthroughs were made in opening up to the outside world and a record was set in use of foreign capital. 3. Social production was comprehensively developed and the gross domestic product exceeded 100 billion yuan. 4. The building of infrastructure facilities was accelerated and key projects progressed smoothly. 5. Noticeable results were made in macroeconomic regulation and control with an emphasis in curbing the overly rapid rise in prices. 6. Banking operation was stable and the implementation of financial budgets was good. 7. New breakthroughs were made in raising funds through various channels and the best historical level was attained. 8. New progress was made in resolving the three major difficult points (making the mountainous areas prosperous and solving difficulties in housing and in the living of low-income workers) in attaining the level of moderate prosperity. 9. Scientific, technological, cultural, and social undertakings were vigorously developed. 10. The living standards of the people continued to improve. The report also points out that there are still lots of difficulties and problems in the municipality's economic performance. First, the rise in commodity prices is too high; second, the building of urban infrastructure facilities is not keeping up with the pace of economic development and the needs of the people; third, some state-owned enterprises are experiencing difficulties; fourth, financial subsidies have increased quite a bit; and fifth, the living conditions of some people is quite difficult.

In the report, Wang Baosen made initial arrangements for the major objective of Beijing's 1995 national economic and social development, and pointed out that efforts should be made to grasp several aspects of work particularly well. First, we should curb the overly rapid rise in commodity prices and create a good environment for reform, development, and stability. It is necessary to conscientiously organize the implementation of the "vegetable basket" project, and increase the supply of essential goods; continue to perfect the system of reserving major commodities and strengthen the leading role of state and cooperative commercial units in the supply of commodities and in stabilizing prices; accelerate the building of markets for farm and sideline products and give priority to developing markets for direct sales; strengthen and improve the management of funds for grain, oil, and nonstaple foods, arrange funds rationally, and raise efficiency in using the funds; strengthen supervision, further rectify market order, and strictly punish the law-breaking acts of manipulating the market, forcing prices up, and disrupting market order. Second, we should readjust the investment structure and guarantee the smooth implementation of all major items covered by the plan. In principle, the overall arrangements for the investment in fixed assets this year are to guarantee the completion of projects and the construction of key projects, give priority to the projects of urban infrastructure facilities, renovation of dangerous and old houses, and industrial momentum, and projects of farmland and water conservancy, education, science, and technology, and strengthen macroeconomic regulation and control of investment in fixed assets. Third, we should further consolidate and strengthen the foundation status of agriculture and promote comprehensive economic development in the urban areas. Fourth, we should further accelerate the development of tertiary industry. Fifth, we should strive to raise the people's living standards and achieve new progress in resolving difficulties in attaining the level of moderate prosperity. Sixth, we should raise funds through various channels and support the capital's economic construction. Seventh, we should pay attention to science, technology, and education and promote the comprehensive development of all social undertakings. Eighth, we should do a good job in planning the "Ninth Five-Year" Plan and the work for the year of 2010.

Wang Baosen called for efforts to deepen reform, expand opening up, expand the degree of structural readjustment, raise the overall economic quality, and improve and promote all kinds of reform with the deepening of reform of state-owned enterprises as the priority. Continued efforts should be made to do a good job in separating government functions from enterprise management and realistically change government functions. We should concentrate efforts on grasping the experiment of the modern enterprise system in selected units and strive to grasp the work of ending deficits and increasing profits well. It is necessary to actively perfect and advance the reform of the social security system and



exert efforts to optimize and readjust economic structure. Structural readjustment is an important means for promoting economic development. This year we should regard optimizing the allocation of resources as the breakthrough point, and bring along the readjustment of the entire economic structure. First of all, we should unify thinking, break with the limits of "yours, mine, and his" and the old concept of paying attention to "brands, positions, and face," and raise economic efficiency through readjusting and cultivating new economic growing points. It is necessary to realistically strengthen leadership, conduct municipality-wide resources survey, clearly find out the truth of a matter, further rationally define the functions of various districts in the municipality, and clearly define the readjustment orientation and layout.

He called on the departments in charge of comprehensive management to emancipate thinking, enhance spirit, and make greater contributions to comprehensively fulfilling all tasks for this year.

Li Qiyan gave a speech at the end of the conference. He called on all departments to conscientiously implement the tasks proposed in Wang Baosen's report, solicit more opinions from fraternal departments, particularly the opinions of leaders of the central responsible departments, and do a better job in serving the central authorities, domestic and international contacts, and the people in the capital.

He said: The Spring Festival will soon be upon us. We should organize all aspects of work well during our national festival, do a good job in the supply of commodities, guarantee the normal operation of water, electricity, gas, and heating, go deep to the masses with great enthusiasm, convey warmth to them, and care for and solve their practical problems. Districts and counties should fully mobilize the masses, combine the efforts of special departments and do a good job in maintaining safety and preventing fire and theft to allow the people across the municipality to have a happy Spring Festival and enjoy a smooth life throughout the year.

Li Zhijian, Zhang Baifa, Yang Chaoshi, Li Yongan, Xia Qinlin, Feng Mingwei, Su Zhongxiang, Fan Yuanmou, and Yi Xiqun, and responsible comrades of various departments, committees, offices, and bureaus of the municipal party committee and government, and of various district and county governments attended the conference.

#### **Tianjin Secretary Addresses Commendatory Rally**

SK1602073995 Tianjin TIANJIN RIBAO in Chinese 26 Jan 95 p 1

[FBIS Translated Text] Those who were named the double "ten best" municipal-level advanced discipline inspection and supervision groups and outstanding discipline inspection and supervisory cadres and the wise and able internal assistants of the Tianjin Municipal

discipline inspection organs, having red silk draped over their shoulders and flowers pinned on their breasts, were commended on 25 January. On behalf of the municipal party committee and government, Gao Dezhan, secretary of the municipal party committee, extended warm congratulations to the double "ten best" award winners and wise and able internal assistants and spring festival regards to discipline inspection and supervisory cadres across the municipality.

The commendatory rally was enthusiastic and simple. Only cups of tea were put on the tables in the conference room of the office building of the municipal party committee. Representatives of the awarded double "ten best" discipline inspection and supervision organs and advanced individuals sat around the tables and were very excited. Liu Fengyan, member of the standing committee of the municipal party committee and secretary of the municipal discipline inspection commission, presided over the rally. Pan Yiqing, vice chairman of the municipal people's congress standing committee and chairman of the municipal trade union council, attended the rally.

In his speech, Gao Dezhan said: I am very happy to attend today's commendatory rally. In 1994, we conscientiously implemented the plans of the central authorities and the central discipline inspection commission, strengthened the building of party style and administrative honesty, deeply conducted anticorruption struggle, worked in a down-to-earth manner, developed soundly, and achieved new results during a certain stage. The discipline inspection and supervision organs at all levels and the broad masses of discipline inspection and supervisory cadres across the municipality served and submitted themselves to the general tasks of the whole party and the whole country under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the party's basic line, comprehensively exercised their functions, studied diligently, advanced in a pioneering spirit, enforced discipline justly, worked actively, contributed to conducting anticorruption struggle and strengthening the building of party style and administrative honesty, and played a positive role in promoting Tianjin's reform, opening up, economic development, and social stability. Practice shows that our municipality's discipline inspection and supervisory contingent is one with good quality and is capable of fighting. It is hoped that they will promote achievements, make persistent efforts, and make greater progress during this year.

Gao Dezhan pointed out: The fifth plenary session of the central discipline inspection commission which ended a moment ago was a very important conference. We should conscientiously study and implement the important speech of Comrade Jiang Zemin and the spirit of the fifth plenary session of the central discipline inspection commission, give impetus to the building of party style and administrative honesty as well as anticorruption work, enhance the work standards, achieve breakthroughs in resolving difficult points in work, exert great

efforts to deepen this work and to take both temporary and radical measures, and enable our municipality's anticorruption struggle to score new achievements. In the anticorruption struggle, leading cadres at all levels should conscientiously implement to the letter the regulations on keeping oneself clean and self-discipline proposed by the central authorities, set strict demands on themselves, set examples with their own conduct, and serve as examples in doing their administrative work diligently and honestly. Through unremitting efforts, we must strive to achieve new progress in supervising party-member leading cadres to keep themselves clean and self-disciplined, new breakthroughs in investigating and handling cases on law and discipline violation, and new results in checking unhealthy trends.

Gao Dezhan said: The discipline inspection and supervision organs are important work departments of the party, shouldering complicated and heavy tasks during the anticorruption struggle. Party committees and governments at all levels should support the work of discipline inspection and supervision organs, strengthen leadership over discipline inspection and supervisory work, give full play to the functional role of discipline inspection and supervision organs, and at the same time, create more opportunities for discipline inspection and supervisory cadres to keep in touch with the reality of reform, opening up, and economic construction, and better serve the party's central tasks. In addition, we should care for the work and living of the discipline inspection and supervision organs and their functionaries, and create conditions for them to successively carry out their work. Gao Dezhan called on the discipline inspection and supervision organs at all levels across the municipality to further strengthen self development. The broad masses of discipline inspection and supervisory cadres should conscientiously shoulder their own glorious missions, strive to study Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, acquire relevant professional knowledge, and unceasingly enhance their ability and level of doing their own work well. It is necessary to emancipate thinking, seek truth from facts, uphold principles, be just, resolutely struggle against passive phenomena, never disappoint the heavy trust of the party and the people, and make greater contributions to successfully carrying out anticorruption struggle, strengthening the building of party style and administrative honesty, promoting reform, development, and stability, realizing the objective of "invigorating Tianjin, making the people rich, and attaining the level of moderate prosperity," and creating further brilliant success in Tianjin.

At the rally, responsible comrades of the municipal discipline inspection commission and the municipal supervision bureau read the decision of the municipal discipline inspection commission and the municipal supervision bureau on commending advanced discipline inspection and supervision organizations and outstanding discipline inspection and supervisory cadres. On behalf of the municipal trade union council, Pan

Yiqing read the decision on presenting the "5 August" medals of contributions to 11 discipline inspection and supervisory cadres such as Lu Linchang. Responsible comrade of the municipal women's federation read the decision on naming Tianjin Municipal "8 March" red-banner bearers to Comrade Sun Daping.

Entrusted by the central discipline inspection commission and the Ministry of Supervision, Liu Fengyan presented silk banners to the municipal discipline inspection commission and the investigation group of the "22 June" case of the municipal supervision bureau that won the first-class citation of merit.

### **Tianjin Defines Economic Structural Reform Tasks**

SK1602070295 Tianjin TIANJIN RIBAO in Chinese 26 Jan 95 p 1

[FBIS Translated Text] In order to implement the demands of the third enlarged plenary session of the sixth municipal party committee on achieving two improvements and two breakthroughs in this year's work, the municipal commission for restructuring economy put forward the major tasks for this year's municipal economic structural reform a few days ago, which were to regard deepening reform of state-owned enterprises as the priorities, firmly grasp the three crucial issues of separating government functions from enterprise management, doing a good job in enterprise internal management, and gradually establishing the social security system, give impetus to the supporting reform, consolidate and improve all measures for reforming the macroeconomic management system, and accelerate the establishment of the socialist market economic system.

It is necessary to regard the establishment of the modern enterprise system as the objective and further deepen enterprise reform, particularly reform of large and medium-sized state-owned enterprises. We should strengthen the enterprise internal economic responsibility system; pay attention to the efficiency of asset management; further deepen reform of the three internal systems of enterprises; actively carry out the labor contract system, management personnel employment system, and the system of basing an enterprise's total payroll on its economic performance; and promote the effective method of setting up small accounting units and establishing in-plant market mechanism. In line with the objective of using eight years to complete grafting, transforming, and readjusting state-owned large and medium-sized enterprises once, by the end of this year we should make more than 40 percent of large and medium-sized industrial enterprises realize grafting, transformation, and readjustment. We should continue to promote enterprise merger, separate establishment, and association, and organize the implementation of the experiment of making some enterprises declare bankruptcy, and establish the mechanism of selecting superior enterprises and eliminating inferior ones. Regarding

state-owned small enterprises and collective enterprises in cities and towns, we may actively carry out the shareholding cooperative system or reorganize and transform them through the methods of leasing, contracting, and auctioning. In addition, we should further deepen the shareholding system experimental work in line with the implementation of the "corporate law."

It is necessary to deepen reform of the circulation system and accelerate the cultivation of the market system. In light of strengthening macroeconomic regulation and control and curbing inflation, we should continue to grasp reform of the circulation system of major farm products and major means of production, such as grain and cotton. In the establishment of the commodity markets, we should do a good job in working out the overall plans and layout, give priorities to consolidating and improving 10 major commodity wholesale markets, strengthening their collecting and distributing functions and radiation ability, and gradually linking up with the international market. In the establishment of the markets for essential production factors, we should vigorously cultivate the banking market and develop the banking market system with the capital flow of banks playing a dominant role, which also includes securities, foreign exchange, and money lending. We should further improve the Tianjin property right trading centers and give full play to their roles in invigorating the assets in reserve, readjusting the property right structure, and optimizing the assets allocation. We should also accelerate the building of land markets, expand the paid utilization of land-use rights and the scope of land transfer, conduct the optimum-scale real estate transaction, and give play to their role in land resources allocation.

It is necessary to further reform the foreign trade system, expand opening up, and accelerate the building of new areas near the sea. We should accelerate the change of the foreign trade enterprise operational mechanism and establish a new foreign trade system that complies with the current international economic practices. Efforts should be made to reform the transaction forms, expand the export scale, improve the investment environment, and vigorously expand the use of foreign capital. In building new areas near the sea, we should exert efforts to accelerate the building of ports, key projects, and infrastructure facilities. We should further expand opening up and vigorously develop external economic cooperation and coordination.

It is necessary to further change the government functions, promote the separation of government functions and responsibilities from those of enterprises, and gradually improve the state assets management and operational system. In accordance with the municipal reform plan for the party and government organs approved by the central authorities, we should formulate specific implementation methods and accomplish the city-level and the district-county-township organizational reform step-by-step. In the light of organizational reform, we

should clearly define the right and responsibility of the governments and enterprises, and actively explore rational forms and methods for state-owned assets management and business in the course of conducting organizational reform and implementing the "supervision and management regulations."

It is necessary to exert strenuous efforts to accelerate reforms of the social security and urban housing systems. In coordination with enterprise reform, this year the priority of social security system reform should be placed on old-age insurance and unemployment insurance. In reform of the medical insurance system, we should do a good job in organizing, coordinating, and implementing this system in the experimental units in Tanggu District, explore experience, and spread it gradually. The priority of urban housing system reform is to perfect the housing public accumulation fund system, to expand strength in raising the rent in accordance with Tianjin's economic development level and the ability of workers to withstand the strains, to properly issue subsidies in a timely manner, and to give impetus to renting the public houses to the individuals and returning the renovated dangerous houses to the relocated people.

It is necessary to strengthen and improve macroeconomic regulation and control. Continued efforts should be made to deepen reforms of the rural, scientific, technological, and educational systems; stabilize and improve the rural basic management system and do a good job in implementing the policies on extending the land contracted period and transferring the land-use rights; and deepen reform of the scientific and technological system and accelerate the integration of science, technology with the economy. We should further implement the "outlines of China's educational reform and development" and continue to deepen reform of the systems of running and managing schools and of student recruitment and employment.

### Northeast Region

#### Heilongjiang Secretary Comments on Cooperation

SK1602042695 Harbin HEILONGJIANG RIBAO in Chinese 28 Jan 95 p 1

[Speech by Yue Qifeng, secretary of the Heilongjiang Provincial CPC Committee, at the 28 December meeting on reports by delegations upon their return from investigating province-level cooperation potential in places south of the province]

[FBIS Translated Text] Our province's five delegations went to 12 provinces and cities to conduct economic, trade, and technological cooperation and to launch open-for-business and capital-introduction activities. The provincial party committee and government fully approved this act. I would like to speak on further upgrading our understanding, bringing our advantages into play, and expanding the dynamics of conducting cooperation with the places south of the province.



**1. Cooperation With Places South of the Province Must Be Regarded as an Important Strategic Task**

Southeast coastal areas and developed areas opened up to the outside world earlier, and their economic strength and economic growth rate can be expected, and are, higher. The economies of these areas complement our province. Therefore, strengthening cooperation will be conducive to the economic development of both and is a common aspiration. Viewing the province's actual conditions, we know that we cannot implement the new economic development idea, pioneer the second battlefield for economic development, and accelerate the pace of quadrupling the 1980 GNP and reaching the goal of becoming fairly well-off, on our own. We must cooperate with these areas and borrow their power to readjust the industrial structure and the product mix, transform the enterprise managerial mechanism, develop various economic sectors, and intensively and repeatedly develop natural resources. When the economies of southeast coastal areas and developed areas are sufficiently developed, they should expand their industries, products, and technologies to the hinterland and particularly relocate some of their labor-intensive enterprises to the hinterland. Comrades from the delegations just noted that some provinces and cities, such as Shenzhen, have started to implement this relocation strategy and to expand the scale of investment to the hinterland. We must grasp this rare chance; take the work of conducting cooperation with the places south of the province as a key strategic measure for rejuvenating Heilongjiang's economy, quadrupling the 1980 GNP, and stepping toward the goal of becoming fairly well-off; go into action; and make sustained and unceasing efforts to make achievements.

We will make great achievements as long as we persistently attend to expanding the scale of cooperation with places south of the province. From the looks of today's talks, we may say that we have gained much from this activity. Through this activity, we have not only publicized Heilongjiang, upgraded our province's prestige and attractiveness, enhanced the mutual understanding and friendship with brotherly provinces and cities, and emulated others' advanced experiences, but also signed more than 500 agreements of intention and contracts on economic and technological cooperation. This has helped lay a firm foundation for making a good start in making necessary progress in cooperating with places south of the province in the future. Like Yang Yichen, a veteran comrade of our province, indicated, cooperating with places south of the province has great potential. Practice shows that it is extremely accurate to persist in the principle of "cooperating with places south of the province and opening to places north of the province." The work of cooperating with places south of the province is of more importance than that of opening up to places north of the province. The better our achievements are in cooperating with places south of the province, the firmer the foundation will become for opening

up to places north of the province. Why has our province's border trade seen a decline after several years' worth of busy activities? Besides some objective factors, there is a bitter lesson to be learned in the damage to our reputation from the production of fake and bad-quality commodities. Why are Chinese-made goods being replaced by commodities made in the ROK, Japan, Europe, and the United States, at a time when the demand is up in the Far East area of the Russian Federation? The reasons are commodity quality and reputation. If we actually succeed in conducting cooperation with places south of the province to develop and produce lots of good and cheap commodities, it will be possible for us to scramble back into this market again, as Japanese and U.S. commodities are highly priced. China-made goods suit their consumption level. If we do not greatly readjust our management strategy, we will not gain a foothold in the future market of the Far East. We may say that the speed in which Heilongjiang opens up to places north of itself and develops its economy will be directly linked to the dynamics of cooperation with places south of the province.

**2. We Should Continue To Actively Launch an Attack, Achieve the Follow-Up Work, and Continuously Consolidate and Expand Achievements in Cooperating With Places South of the Province**

Cooperating with places south of the province is a task with both long-term and day-to-day importance. We can't accomplish this work in one move nor wait until the contract is signed to do something. A situation of "only cooperating for a short period of time like a sudden rainstorm" and "signing many contracts, but poor results," must not be created. Organizing large-scale, high-standard, and high-ranking visits mainly plays a leading and guiding role. Beginning from next year, all cities (prefectures) and counties, all trades and professions, and enterprises where conditions permit should organize, in a well-planned, organized, and guided manner, capable forces to visit, hold talks, and expand the scale of conducting cooperation with the south. In open-for-business activities, we should pay attention to having enterprises themselves participate in the activities in an effort to make things visible to the public and to yield more positive results. We should make efforts to conscientiously achieve real results when going beyond the province. We should at least widen our field of vision and increase our learning. Since Heilongjiang is not rich economically, we must not have people say that we do not take care of business when we go beyond the province, but only go sight-seeing and spend money. We should also extensively expand economic and technological cooperation by "playing economic and trade operas on the literary and art stages," attending the open-for-business trade fairs sponsored by other provinces, and having enterprises cooperate laterally amongst themselves. The "Harbin trade fair" should consider the talks on cooperation with the south as important and pay prominent attention to conducting cooperation with the south. We should make good use of

the "ice and snow festival" and the "winter Asian sports meet" to promote the progress of cooperation work. If each of the over 100 counties (cities) and districts of the province reaches an agreement, the figure will be considerable. When those signed by the provincial- and city- (county-level) departments and enterprises are also considered, great prospects may be said to be in store for rejuvenating Heilongjiang.

We should attend to following the tracks of the projects and accomplishing them. Principal leaders should personally take up the matter; classify the items; assign responsibilities to departments, enterprises, and individuals; pay attention to supervision and feedback; and strive to yield more positive results. All departments concerned should realistically change their work style, reduce obstacles, form unity, and do their best to serve the work of conducting cooperation with the south. The departments in charge of overall economic work and the banking organs should try every possible means to help enterprises solve problems concerning capital. Relevant press units should keep on reporting and disseminating the progress of the projects. Security, political and law, industrial and commercial, and tax departments should pay attention to readjustment and improvement and create a relaxed environment for attracting more southern areas to conduct cooperation with us. The provinces and cities that we visited will possibly send groups to inspect Heilongjiang next year. So, the departments concerned should do a good job in receiving them, enhance understanding and friendship, and consolidate, develop, and expand the achievements in cooperation with the south.

### **3. We Should Fully Utilize Heilongjiang's Advantages To Promote the Progress of Conducting Cooperation With the Places South of the Province and To Develop Ourselves**

Our province itself has many advantages. However, we have not done enough to develop and utilize them. We cannot make a fortune only with natural resources. Only by turning natural resources into commodities will we gain economic advantages. The key to attracting cooperation partners in places south of the province is to attract the other party with our advantages and the factors that supplement each other. To expand the scale of cooperation with the south, we should exert efforts to have both sides learn from each other's strong points and bring their strong points into play. We have vast room and spheres for development in this aspect. We should be able to develop our advantages to the full. For instance, the issue on how to bring into play and utilize such resources as grain, timber, minerals, and petroleum is a big project. Heilongjiang is a large province in terms of its grain output. So, we are more attractive in intensive and precision processing of grain. I was told recently that some feed-processing industrial enterprises in Shanghai

basically suspended their operation due to a lack of raw materials. We can tell them that they are welcome to run feed-processing plants in Heilongjiang. At present, we can supply them with such raw materials as corn and soybean dregs initially, for first aid purposes. I was told that the Chia Tai Group and some of Tianjin's plants plan to move north. We can see results if we conduct cooperation with the south in this aspect. Timber is one of our province's advantages. Our timber production accounts for nearly half of the total output of the state-owned wooded areas of the country. If we set up timber markets, hold two goods-ordering meetings annually, unify timber prices, serve the whole country, expand the cooperation with the outside world, and accelerate the pace of developing intensive- and precision-processed products at the time of ensuring the fulfillment of the state unified distribution task, the province will be able to promote its economic development greatly. Simultaneously, our province is an old industrial base and has a solid and large industrial foundation. By expanding the scale of cooperation, our province will completely be able to conduct "grafting" transformation, to run shareholding plants, and conduct cooperation in a coordinated way. There are more than 3,000 kilometers of border length between our province and the Russian Federation. Located in the center of northeast Asia, our province has great advantages for opening its border areas to the outside world. We will have great prospects for expanding the scale of opening up and cooperation in the future when the land-and-sea and river-and-sea transportation opens.

To develop cooperation with the south, we must not ignore the functions of skilled persons, a major advantage. Our province's industrial and mining enterprises, scientific research units, and universities have a galaxy of skilled persons and more than 800,000 science professionals and technicians. If our province is actually able to open to the outside world and can tap the potential of science professionals and technicians, we will make rapid progress in conducting cooperation with the south. Being the first liberated area of the country, our province has the advantage of being a senior liberated area. The veteran comrades of Heilongjiang origin and those who worked in our province are in all parts of the country. They are extremely concerned with and support Heilongjiang's economic and social development. What merits mentioning is that we also admitted 400,000 "young intellectuals." Most of them have returned to cities, mainly Beijing, Tianjin, Shanghai, Jiangsu, and Zhejiang. Some of them are towering above at their work posts and some of them are entrepreneurs, well-known personages, and leading cadres. They cherish affection for Heilongjiang and are willing to make contributions to their "second hometown." The advantage of having these people is our wealth. If we make good use of this advantage, we will make more results in conducting

cooperation with the south. We should learn from Shandong in this aspect. Shandong people in Beijing "easily enter doors, assess the situation, and get their affairs done." We are lacking in this.

To develop and expand cooperation with the south, we should emphatically combine our province's advantages with the southeast coastal areas and developed areas' capital, technology, famous-brand products, markets, and management advantages so as to produce gigantic productive forces and gain considerably large economic results and social wealth. We should pay attention to learning their advanced experiences and deeds in enterprise management. An enterprise can earn hundreds of thousands of money or hundreds of millions of money when a product sells well. We must not be satisfied at small wealth or the current situation. Advertisement and sales management means should catch up with the situation. Markets can be regarded as battlefields. To develop markets, we should pay attention to developing products. The idea of looking down upon small commodities must be changed. Similarly, we can pioneer large markets and make a fortune with a small commodity. Hangzhou's "Wahaha," Henan's ham sausage, Taiwan's Cook Kang's noodled, and the United States' Coca Cola have brisk markets. Our province has some good products, such as mushrooms and instant corn paste. As long as we are aware of commodities, competition, and sales management, and strengthen the propaganda on commodities through advertisement, we will completely be able to open domestic markets as well as the world markets. Today, I see only a few advertisements of our commodities in the central television station's economic programs.

The delegations have made great efforts and made better achievements in their visits. On behalf of the provincial party committee and government, I express thanks to them. I hope that you will further attend to this matter and promote the fast development of Heilongjiang's economy.

#### **City in Jilin Center for Auto Production**

*OW1602101295 Beijing XINHUA in English 0909  
GMT 16 Feb 95*

[FBIS Transcribed Text] Changchun, February 16 (XINHUA)—Jilin City, a major petrochemical production center in northeast China's Jilin Province, is becoming a major motor vehicle production center, with output reaching 70,000 units in 1994.

An official of the Jilin City government said that the city earned 1.2 billion yuan last year from motor vehicles and automobile accessories.

He said that the automobile industry has become one of the city's four pillar industries.

The city's automobile industry started from the production of light trucks and mini-buses in the 1980s, he said.

In the late 1980s the Jilin Mini-Vehicle Plant began to co-operate with the country's largest motor vehicle builder, the China No. 1 Automobile Corporation, based in the Jilin provincial capital of Changchun and later become affiliated to the corporation.

To date, the plant has spent nearly 250 million yuan installing eight assembly lines for light trucks and mini-buses, the official said, adding that its annual production capacity rose to 60,000 units in 1994.

The Jilin Jiangbei Machinery Plant has installed an assembly line with an annual capacity of 12,000 "Otto" cars.

Meanwhile, The Jilin Automobile Industry Group of Companies has been set up to promote mass production of motor vehicles in the city, he said.

The Jilin city government plans to use foreign funds to accelerate the growth of the local automobile industry, the official noted.

Overseas investment is being sought for a project to assemble 150,000 mini-cars annually and another to manufacture car decoration articles.



### Wu Yi Seeks Consultations, Agreements With Taiwan

OW1502170595 Beijing XINHUA in English 1643  
GMT 15 Feb 95

[FBIS Transcribed Text] Beijing, February 15 (XINHUA)—Wu Yi, minister of [Ministry of] Foreign Trade and Economic Cooperation (MOFTEC), said here today that MOFTEC wishes to have contact and consultations, and even to sign agreements with Taiwan appropriately for doing business directly as soon as possible.

"We welcome the proper Taiwan authorities in charge of the economy and trade to visit the mainland. We also approve of getting invitations from Taiwan to visit the island of our motherland."

Wu made the remarks when she talked with XINHUA about her thoughts on Chinese President Jiang Zemin's speech concerning the Taiwan issue, and said that Jiang had put forward a series of important and innovative proposals which are certain to develop relations, especially economic and trade ties, across the Taiwan Straits.

The indirect trade volume between Taiwan and the Chinese mainland last year totaled 16.33 billion US dollars, ranking both sides as each other's fourth-largest trading partner. By last September, the number of projects involving Taiwan investors had reached 25,800, with actual capital reaching 7.34 billion US dollars, giving investment from Taiwan second place among overseas investment in China.

Economic and trade cooperation which plays a significant part in the overall exchanges across the Taiwan Straits, has had a positive impact on the prosperity of the two, Wu said, adding that because of some obstacles, the exchanges are still stalled and moving only indirectly.

According to the minister, this unreasonable situation has had serious consequences for the two economies, which should be complementary as they have huge potential for development. Direct business, communications, and transportation have become a requirement for expanding economic and trade ties, and are in strong demand by Taiwanese entrepreneurs.

Establishing direct business contacts is China's internal affair, Wu said, explaining that "We Chinese will handle our own affairs, and have no need to resort to any international occasion."

For the time being, serious political obstacles still exist in the further expansion of economic and trade exchanges across the Taiwan Strait, Wu said.

He commented on Jiang's proposals on economic cooperation, untouched and unfettered by political differences, by calling them reasonable and constructive under present circumstances, which only disrupt the "political-economic chain", and said that his is the only pragmatic way to promote economic and trade relations across the Straits without wasting any opportune time.

"We hope that the Taiwan authorities, taking into consideration the long-term interests of the Chinese nation, will shelve their political differences and positively enhance the economic and trade exchanges across the Taiwan Straits," Wu said.

"We have noticed that the Taiwan authorities made some meaningful indications and we welcome any and all actions that are beneficial to the direct exchanges across the Straits," she noted.

The minister pointed out that during the economic and trade exchanges between the two sides, "We have insisted on the policy of safeguarding the legal interests of Taiwan compatriots and have promulgated a number of laws, regulations, and concrete policies."

"No matter what the situation, we will safeguard the appropriate rights of Taiwanese businessmen. We are willing to discuss and sign non-governmental agreements on protecting the investment rights of Taiwanese businessmen with the Taiwan side through unofficial channels, on the basis of mutual benefits and ensuring the legal rights of both parties," she explained.

"We encourage and welcome Taiwan compatriots to invest on the mainland and we will continue to provide them proper services and preferential treatment," she added.

The minister expressed the hope that foreign trade departments and trade offices of her ministry operating abroad can continue to develop their contacts with Taiwan compatriots and try to help them solve any problems they may have.

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